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Ontario Hydro - Electric
Inquiry Commission
1922-1927

J. ALLAN ROSS

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Miscellaneous documents

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EUGENIA SYSTEM
Statement of Fact prepared by
R. L. FOSTER

Hydro-Electric Inquiry Commission.

8th January, 1923.

W. D. Gregory, Esq.,
Chairman,
Hydro-Electric Inquiry Commission.

Dear Sir;

Eugenia System.

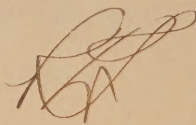
On December 12th I was instructed to prepare a statement of fact dealing with the general history and organization of the Eugenia System of the Hydro-Electric Power Commission, including an analysis of the evidence submitted at the public hearing on the 26th and 27th days of September, 1922.

In the following pages I have reviewed all the evidence, reports, official documents and sundry information which have come to the Commission with regard to this System.

I shall be pleased upon request to prepare such further memoranda with regard to the Eugenia System as may be deemed desirable.

Yours very truly,

RLF/P.



STATEMENT OF FACT - EUGENIA SYSTEM

General History and Description

The third report of the Hydro-Electric Power Commission, published in 1906, dealing with the waterpowers of the Province, reported upon Eugenia Falls on the Beaver River, about 8 miles from Flesherton, in Grey County, as a site for a hydro-electric development. The report recommended that Eugenia Falls and Big Chute (Severn River) should be developed and operated in parallel. In 1909 P.W. Sothman, chief engineer of the Commission, advised Sir Adam Beck that:

"This plant would only be used as a reserve at times in the day at which the load on the system exceeded the 4,000 h.p. capacity of the Big Chute plant.

Mr. Sothman's estimate of the capital cost of an installation of 2267 h.p. was \$291,000 including a spare unit, and his estimate of the capital cost of transmission lines to Owen Sound, Meaford, Collingwood, Barrie, Midland, Victoria Harbor and Waubesaushene was \$287,472,

It was not, however, until the year 1913 that the Commission applied to the Lieutenant-Governor in Council for authority to develop the site, the intervening four years being given over to further surveys and investigations as a result of which the development recommended essentially differed from that contemplated in 1909.

The Order-in-Council authorizing the Eugenia Development was approved by the Lieutenant-Governor on the 6th November

1918. A copy of the Order-in-Council is set out in full on page three of the Price Waterhouse report.

Prior to the inception of the Hydro-Electric Power Commission, the Georgian Bay Power Company, Limited, (R.S.C. 1907, Chap. 20) had acquired the right to the water power at Maccan Falls and the title to certain adjacent land. In 1908 the Company entered into an agreement with the Government of Ontario calling for the completion of the development within five years in consideration of a fixed assessment and other privileges. Pursuant thereto the Company claimed to have spent several thousand dollars in preliminary work. Nevertheless the Company defaulted under the agreement and negotiations were opened for the disposal of the right and property of the company to the Hydro-Electric Power Commission. These negotiations commenced as early as the year 1906, but it was not until 1913 that the Commission, after completing surveys and investigations, made an offer which was acceptable to the shareholders of the company.

The Order-in-Council of November, 1913, authorized the Commission to purchase the works, assets, real property and rights of the Georgian Bay Power Company at Maccan Falls. The purchase was consummated as of the 6th May, 1914. Under the agreement of sale the company sold to the Commission all of its lands with the exception of a small parcel of 3.44 acres granted and conveyed as a leasehold, the transmission of the waterpower at Maccan Falls in consideration of the sum

of \$60,000 paid to the National Trust Company, Limited, the mortgagee of a certain portion of the property acquired. About the same time the Commission purchased approximately 1700 acres of land from outside parties for the purpose of creating a storage basin.

The development at Eugenia Falls was the second designed and constructed by the Hydro-Electric Power Commission, the first having been built at Wasdells Falls in 1914. Construction work was commenced in July, 1914, and operations were commenced in November, 1915. The plant consists essentially of a storage dam on the Beaver River about one-half mile above the Falls, and from the reservoir thus formed a canal 5,000 feet long carries the water to a forebay, thence through woodstave and steel penstocks to the power house. The operating head is 550 feet, one of the highest in Canada. It was pointed out by Mr. Gaby that Mr. Sotham, in 1909, was contemplating a development of the Eugenia Falls proper at a head of 150 or 160 feet, without water storage facilities, and that the development actually proceeded with in 1913 was along entirely different lines, as described above, based upon the investigations and surveys of the intervening years. (Ev. 417.)

The initial installation was of two units with a capacity of 4,800 h.p. The present turbine capacity is 8,800 h.p., a third unit having been installed in 1918 (Ev. 217) and a further unit in the year 1921. The ultimate machine capacity contemplated for the plant is 12,800 h.p.

of \$50,000 paid to the National Trust Company, Limited, the mortgagee of a certain portion of the property acquired. About the same time the Commission purchased approximately 1700 acres of land from outside parties for the purpose of creating a storage basin.

The development at Eugenia Falls was the second designed and constructed by the Hydro-Electric Power Commission, the first having been built at Wabigoon Falls in 1914. Construction work was commenced in July, 1914, and operations were commenced in November, 1915. The plant consists essentially of a storage dam on the Beaver River about one-half mile above the Falls, and from the reservoir thus formed a canal 5,000 feet long carries the water to a forebay, thence through woodstave and steel penstocks to the power house. The operating head is 550 feet, one of the highest in Canada. It was pointed out by Mr. Gaby that Mr. Betham, in 1909, was contemplating a development of the Eugenia Falls proper at a head of 150 or 160 feet, without water storage facilities, and that the development actually proceeded with in 1915 was along entirely different lines, as described above, based upon the investigations and surveys of the intervening years. (Ex. 417.)

The initial installation was of two units with a capacity of 4,800 h.p. The present turbine capacity is 8,800 h.p., a third unit having been installed in 1918 (Ex. 417) and a further unit in the year 1921. The ultimate machine capacity contemplated for the plant is 12,800 h.p.

The plant is operated in parallel with the Severn and Wasdell Systems of the Hydro-Electric Power Commission and the Swift Rapids plant, owned and operated by the Orillia Water, Light & Power Commission.

In February, 1916, the Commission entered into an agreement to purchase the property of the Pine River Light & Power Company, consisting of station equipment, exclusive of buildings, in the town of Orangeville and the villages of Shelburne and Horning's Mills, sundry lines, and a local distribution system within the limits of the village of Horning's Mills, comprising what was known as the Orangeville-Shelburne-Horning's Mills System. The consideration for the purchase was \$44,375.

A power tie line connecting the Eugenia and Severn Systems was completed in the latter part of 1916, and from that date until 1920 the Eugenia System supplied surplus power to the Severn System, which in turn disposed of such power to certain private and municipal corporations.

In November, 1915, when the System commenced operating, it comprised six municipalities, namely:

Chatsworth, Dundalk, Durham, Flesherton, Mount
Firest and Owen Sound.

Between 1915 and 1920 the following eleven municipalities were added:

Arthur, Chesley, Elmwood, Grand Valley Hanover,
Holstein, Markdale, Neustadt, Orangeville, Tara
and Shelburne.

During the year 1921 six further municipalities were added
namely:

The plant is operated in parallel with the Severn and Washell Systems of the Hydro-Electric Power Commission and the Swift Rapids plant, owned and operated by the Ontario Water, Light & Power Commission.

In February, 1916, the Commission entered into an agreement to purchase the property of the River Light & Power Company, consisting of station equipment, exclusive of buildings, in the town of Orangeville and the village of Shelburne and Hornburg's Mills, sundry lines, and a local distribution system within the limits of the village of Hornburg's Mills, comprising what was known as the Orangeville-Shelburne-Hornburg's Mills System. The consideration for the purchase was \$44,575.

A power line connecting the Niagara and Severn Systems was completed in the latter part of 1916, and from that date until 1920 the Niagara System supplied surplus power to the Severn System, which in turn disposed of such power to certain private and municipal corporations.

In November, 1916, when the System commenced operation it comprised six municipalities, namely:

Chateaufort, Dundalk, Durham, Fisherton, Mount Pleasant and Owen Sound.

Between 1916 and 1920 the following eleven municipalities were added:

Atterly, Chasley, Hiram, Grand Valley, Hanover, Kilmartin, Kilmale, Kilmartin, Orangeville, Tara and Shelburne.

During the year 1921 six further municipalities were added, namely:

Kincardine, Lucknow, Princeville, Ripley,
Teeswater, and Wingham.

At the close of the last fiscal year the System was serving the said 23 municipalities and sundry customers in the village of Horning's Mills.

During the year ending 31st October, 1921, the aggregate horse power furnished consumers was 4,698.5 h.p., of which about 46 h.p. was sold to the Severn System.

At the present time there is about 230 miles of 2,200-volt line and 70 miles of 4,000-volt line built or acquired by the Commission in the Eugenia System.

FINANCIAL CONDITIONS.

The capital expenditure represented by the System as of 31st October, 1921, was \$2,048,663.60 (Price, Waterhouse & Co., page 6) which is divided as follows (cents omitted):

In Power Development	\$990,438.
In Wood Pole Lines	815,629.
In Distribution Stations	240,501.
In Rural Lines	2,095.

Total\$2,048,663.

It was estimated by the engineers of the Commission, as at October 31, 1921, that the sum of \$479,000 would be required for the completion of works then in progress and for additional works, betterments and extensions during the years 1922 and 1923. The particulars of this estimate are set out on page 7 of the Price, Waterhouse report.

The analysis of the Operating, Reserves for Renewals and Sinking Fund Accounts of the Commission is dealt with, in

Klamathine, Lashburn, Princeton, Ripley,
Georgetown, and Wapakoneta.

At the close of the last fiscal year the System
was serving the said 23 municipalities and sundry customers
in the village of Hastingsville.
During the year ending 31st October, 1921, the
aggregate horse power furnished consumers was 4,838.5 h.p.,
of which about 45 h.p. was sold to the Severn System.
At the present time there is about 230 miles of
2,800-volt line and 73 miles of 4,000-volt line built or
authorized by the Commission in the Lagoon System.

FINANCIAL SUMMARY.

The capital expenditures represented by the System
as of 31st October, 1921, was \$2,048,683.50 (Price, Waterhouse
& Co., page 6) which is divided as follows (cents omitted):

In Power Development	\$993,453.
In Wood Pole Lines	816,837.
In Distribution Stations	240,301.
In Rural Lines	2,092.
Total	\$2,048,683.

It was estimated by the engineers of the Commission
as at October 31, 1921, that the sum of \$475,000 would be
required for the completion of works then in progress and
for additional works, betterments and extensions during the
years 1922 and 1923. The particulars of this estimate are
set out on page 7 of the Price, Waterhouse report.
The analysis of the Operating, Reserve for Renewals
and Sinking Fund Accounts of the Commission is dealt with, in

detail, in the Price, Waterhouse report. Attention is called to Exhibit VI of that report - "Statement of Accounts due by Municipalities" - and to the important features revealed by that statement, outlined on page 23. It is to be further noted that, for the fiscal year ending October 31, 1920, that costs exceeded the receipts by the sum of \$43,932.21; that the accumulated deficit on the System for the year ending October 31, 1921, still unpaid September 20, 1922, was \$92,205.37, and that whereas the Power Commission Act authorizes the Commission to extend the time for payment of sums payable by any municipality from time to time during the first three years after which it begins to take power, seven municipalities had, to 31st October, 1920, been operating for more than three years, had underpaid for power supplied to them up to that date and continued to do so for the fiscal year ending October 31, 1921.

ORGANIZATION OF EUGENIA HYDRO-ELECTRIC ASSOCIATION.

In May, 1922, representatives of the Eugenia municipalities met at Durham and formed what is known as the Eugenia Hydro-Electric Association. This association is a voluntary body, not contemplated by the Power Commission Act, and was formed, as stated, by its first president, Mr. John Legate, Mayor of Owen Sound, to represent the Eugenia municipalities, and express their general dissatisfaction with the condition of affairs, particularly rates, on the Eugenia System.

PUBLIC HEARING, 26th and 27th SEPTEMBER, 1922.

In August, the Association requested the Inquiry Commission to hold a public hearing into the affairs of the

detail, in the Price, Waterhouse report. Attention is called to Exhibit VI of that report - "Statement of Accounts due by Municipalities" - and to the important features revealed by that statement, outlined on page 23. It is to be further noted that, for the fiscal year ending October 31, 1930, that costs exceeded the receipts by the sum of \$45,932.21; that the accumulated deficit on the system for the year ending October 31, 1931, still unpaid September 30, 1932, was \$92,865.27, and that whereas the Power Commission Act authorizes the Commission to extend the time for payment of sums payable by any municipality from time to time during the first three years after which it begins to take power, seven municipalities had, to 31st October, 1932, been operating for more than three years, had not yet had power supplied to them up to that date and continued to do so for the fiscal year ending October 31, 1931.

ORGANIZATION OF EUGENIA HYDRO-ELECTRIC ASSOCIATION.

In May, 1932, representatives of the Eugenia municipalities met at Durban and formed what is known as the Eugenia Hydro-Electric Association. This association is a voluntary body, not contemplated by the Power Commission Act, and was formed, as stated, by its first president, Mr. John Legate, Mayor of Owen Sound, to represent the Eugenia municipalities and express their general dissatisfaction with the condition of affairs, particularly rates, on the Eugenia system.

URGENT REQUESTS FOR ASSISTANCE, 1932.

In August, the Association requested the Inquiry Commission to hold a public hearing into the affairs of the

Eugenia System and, pursuant to this request, a public hearing was held at the Parliament Buildings on the 26th and 27th days of September. About fifteen delegates, representing nine of the larger municipalities on the System, presented the case of the Association to the Commission. A copy of the letter (Exhibit A.) setting out the general causes of dissatisfaction, which was presented to the Commission by the President of the Association, Mr. John Legate (Owen Sound), at the opening of the hearing, is appended hereto.

SUMMARY OF CLAIMS.

The claims and criticisms of the administration of the Eugenia System, as voiced by the Association, may be summarized as follows:

- 1 - That the actual power rates paid by the municipalities exceed the estimated rates, submitted to the municipalities at the time the agreements between the municipalities and the Commission were consummated, by from 100 to 300 per cent.
- 2 - That (almost without exception) the actual cost of the local distribution systems in the Eugenia municipalities exceeded the estimates furnished by the Commission, pursuant to which the electors voted in favor of the enabling by-law.
- 3 - That the actual cost of the certain transmission lines, charged to the municipalities in the cost of power, exceeded the estimates of the Commission.
- 4 - That the rates paid by municipalities in the Eugenia System are unfair as compared with rates paid by municipalities on the other Hydro systems.
- 5 - That the capital cost of the Eugenia System (in excess of \$2,048,000) is excessive; that the capital cost per horse power is 40% higher in the Eugenia System than in the Severn System.
- 6 - That there ought to be some legislative machinery through which the municipalities

Regatta System and, pursuant to this request, a public hearing was held at the Parliament Buildings on the 28th and 29th days of September. About fifteen delegates, representing nine of the larger municipalities in the System, presented the case of the Association to the Commission. A copy of the letter (Exhibit A.) setting out the general causes of dissatisfaction, which was presented to the Commission by the President of the Association, Mr. John Regatta (Owen Sound), at the opening of the hearing, is appended hereto.

SUMMARY OF CLAIMS.

The claims and criticisms of the administration of the Regatta System, as voiced by the Association, may be summarized as follows:

- 1 - That the actual power rates paid by the municipalities exceed the estimated rates, submitted to the municipalities at the time the agreements between the municipalities and the Commission were consummated, by from 100 to 300 per cent.
- 2 - That (almost without exception) the actual cost of the local distribution systems in the Regatta municipalities exceeded the estimates furnished by the Commission, pursuant to which the rates were voted in favor of the existing system.
- 3 - That the actual cost of the certain transmission lines, charged to the municipalities in the cost of power, exceeded the estimates of the Commission.
- 4 - That the rates paid by municipalities in the Regatta System are unfair as compared with rates paid by municipalities on the other Hydro systems.
- 5 - That the capital cost of the Regatta System (in excess of \$2,000,000) is excessive; that the capital cost per horse power is 40% higher in the Regatta System than in the Severn System.
- 6 - That there ought to be some legislative machinery through which the municipalities

could be consulted before any extensive additions to the system were undertaken.

- 7 - That, inasmuch as the municipalities were not consulted before recent extensions, aggregating approximately One million dollars, were constructed by the Commission, resulting in a very large increase in power rates to the municipalities, the Government should assume a portion of the cost of these extensions.
- 8 - That the form of contract between the Eugenia municipalities and the Commission is at variance with the form of contract contemplated by the Power Commission Act; that it is different from the form of contract entered into between the Niagara municipalities and the Commission and that it gives the Commission such wide and discretionary powers as to be a hardship upon the municipalities.
- 9 - That the municipalities should not be required to set up both renewal reserve and a sinking fund reserve as part of the cost of power.
- 10 - That, inasmuch as the inspection of wiring under the Hydro-Electric Power Commission is very unsatisfactory, the only inspector, authorized to inspect wiring on the System residing in Orangeville, local inspectors should be appointed in the different municipalities.
- 11 - That, considering the provisions of the Power Commission Act, whereby the power rates in municipalities shall be merely approved by the Commission, and not dictated by the Commission as is the present practice, the municipalities should be consulted before any changes in the rates are promulgated.
- 12 - That the engineering economics of the Eugenia Falls plant is faulty, there being not sufficient water to provide more than 3,500 24-hour continuous horse-power.

The twelve claims summarized above are dealt with more particularly in the following pages, an attempt having been made to outline the evidence submitted by the delegation in support of each claim and the replies made by representatives of the Commission thereto.

would be consulted before any extensive addition to the system were undertaken.

That, inasmuch as the municipalities were not consulted before recent extensions, aggregating approximately one million dollars, were constructed by the Commission, resulting in a very large increase in power rates to the municipalities, the Government should assume a portion of the cost of these extensions.

That the form of contract between the municipalities and the Commission is at variance with the form of contract contemplated by the Power Commission Act; that it is different from the form of contract entered into between the various municipalities and the Commission and that it gives the Commission much wider and discretionary powers as to the hardship upon the municipalities.

That the municipalities should not be required to set up both renewal reserve and a sinking fund reserve as part of the cost of power.

That, inasmuch as the inspection of wiring under the Public-Utilities Power Commission is very unsatisfactory, the only inspector, authorized to inspect wiring on the lines residing in Orangeville, local inspectors should be appointed in the different municipalities.

That, considering the provisions of the Power Commission Act, whereby the power rates in municipalities shall be merely approved by the Commission, and not dictated by the Commission as in the present practice, the municipalities should be consulted before any changes in the rates are promulgated.

That the engineering expenses of the Niagara Falls plant is fairly, there being not sufficient water to provide more than 2,300 H.P. from the Niagara power.

The twelve claims summarized above are dealt with

more particularly in the following pages, an attempt having

been made to collate the evidence submitted by the delegation

in support of each claim and the replies made by representatives

of the Commission thereto.

CLAIM NO. 1.

"That the actual power rates paid by the municipalities exceed the estimated rates, submitted to the municipalities at the time the agreement between the municipalities and the Commission were consummated, by from 100 to 300 per cent."

At the end of this memorandum there is appended as Exhibit "B" a tabulated statement which sets out very clearly the basis upon which this claim is made. The statement shows the interim rates per horse power collected by the Commission and the average load in horsepower each year after correction for the power factor, since commencement of operations. It also shows in columns two and three the original estimated rates per horse power, furnished by the Commission, together with the load upon which the estimated rate was based.

There are also available copies of the original correspondence between the municipalities and the Commission, submitted by representatives of the latter at the public hearing, showing the original estimated rate furnished the municipalities and the interim rate for the current year.

The case of Owen Sound was discussed by Dr. Roy Hacking (Ev. 211) and by Mr. John Legaté (Ev. 269). Dr. Roy Hacking pointed out that:

"In 1919, with an average load of 984 h.p., Owen Sound had a surplus of \$2,784 on their operation. In 1920 the load increased to 1300 h.p., and the surplus was wiped out, and in 1921 the load had increased to almost 1400 h.p., and they showed a loss of \$14,676, at a rate of \$30 per horse power. The 1919 rate for six months was \$28 per h.p. In 1920, with a larger load than 1919, a loss of some \$13,000 obtained. In this instance a small load made a surplus of nearly \$16,000, while the next two years of increasing loads wiped that out and left a deficit of over \$14,000."

Mr. Legaté complained that the town of Owen Sound

CLAIM NO. 1.

"That the actual power rates paid by the municipalities
exceed the estimated rates, submitted to the municipalities
at the time the agreement between the municipalities
and the Commission was consummated, by from
100 to 300 per cent."

At the end of this memorandum there is appended as
Exhibit "B" a tabulated statement which sets out very clearly
the basis upon which this claim is made. The statement shows
the actual rates per horse power collected by the Commission
and the average load in horsepower each year after correction
for the power factor, since consummation of operations. It
also shows in columns two and three the original estimated
rates per horse power, furnished by the Commission, together
with the load upon which the estimated rate was based.

There are also available copies of the original
correspondence between the municipalities and the Commission,
submitted by representatives of the latter at the public hearing
showing the original estimated rate furnished the municipalities
and the actual rate for the current year.

The case of Owen Sound was discussed by Mr. Roy
Hacking (Mr. 211) and by Mr. John Legate (Mr. 222). Mr. Roy
Hacking stated that:

"In 1919, with an average load of 384 h.p., Owen
Sound had a surplus of \$2,754 on their operation.
In 1920 the load increased to 1300 h.p., and the
surplus was wiped out, and in 1921 the load had
increased to almost 1400 h.p., and they showed a
loss of \$14,676, at a rate of \$80 per horse power.
The 1919 rate for six months was \$28 per h.p. In
1920, with a larger load than 1919, a loss of some
\$18,000 obtained. In this instance a small load
made a surplus of nearly \$16,000, while the next
two years of increasing loads wiped that out and
left a deficit of over \$14,000."

Mr. Legate complained that the town of Owen Sound

had been quoted a rate of \$31 per horse power on the basis of an estimated load of 1200 h.p., but that this year the interim rate had been fixed at \$40., although the average load for 1921 had been 1391 h.p. Mr.Legate further complained that, in July of the current year, the power rates had been increased from two cents a kilowatt hour for the first fifty hours per month to 2.8 cents - almost a third - while the domestic and commercial rates remained unchanged.

(Ev. 269). Mr.Legate proceeded to show that, in 1914, the town, operating its own steam plant, was selling power at 1.55 cents per k.w. hour; in other words that the town was manufacturing power by steam for less money than it is paying for power to-day.

The case of Tart was discussed at some length by various witnesses. Dr.Hacking, the representative of Tara, said in part as follows:

"The Hydro-Electric engineers came into that town in 1915 and 1916, and they told them that the rate would be \$37 per horsepower. Those engineers came in there in an advisory capacity to us; they were supposed to know. We did not, and we accepted their advice as to power needed and, in addition, we were told that what we did not use we would not be asked to pay for. We contracted for 100 h.p., but the municipality didn't know whether they would need 100 h.p. or 500 h.p. They trusted to the Hydro engineers to put them on the right track and, as I say, they gave them a rate of \$37 per h.p.

"In the first year, 1918, they lost \$1,600. In 1920 we lost \$1,400 at a rate of \$85, and in 1921, at a rate of \$90., we lost \$444.

had been quoted a rate of \$1 per horse power on the basis of an estimated load of 1800 h.p., but last year the interest rate had been fixed at \$40., although the average load for 1931 had been 1801 h.p. Mr. Legate further complained that, in July of the current year, the power rates had been increased from two cents a kilowatt hour for the first fifty hours per month to 5.8 cents - almost a third - while the domestic and commercial rates remained unchanged.

(Ex. 289). Mr. Legate proceeded to show that, in 1914, the town, operating its own steam plant, was selling power at 1.55 cents per h.w. hour; in other words that the town was manufacturing power by steam for less money than it is paying for power to-day.

The case of Utah was discussed at some length by

various witnesses. Dr. Haskins, the representative of Utah,

said in part as follows:

"The Hydro-Electric engineers came into that town in 1915 and 1916, and they told them that the rate would be \$30 per horsepower. These engineers came in there in an advisory capacity to us; they were supposed to know. We did not, and we accepted their advice as to power needed and, in addition, we were told that what we did not see we would not be asked to pay for. We contracted for 100 h.p., but the municipality didn't know whether they would need 100 h.p. or 500 h.p. They trusted to the Hydro engineers to put them on the right track and, as I say, they gave them a rate of \$30 per h.p."

"In the first year, 1916, they lost \$1,800. In 1917 we lost \$1,400 at a rate of \$35., and in 1921 at a rate of \$50., we lost \$444."

" I submit, gentlemen, that the point, and the place, is being reached very rapidly where it won't be possible to secure a rate sufficient to meet the cost of service....."

Dr. Hacking read letters, received by officers of Tara from the Hydro-Electric Power Commission, quoting the original estimated rate of \$36.37 per h.p., per annum. Attention is drawn to the following paragraph, which appears in a letter from Mr. Gaby to the Reeve of Tara, dated 11th May, 1916:

"For your information we also wish to state that these rates are approximate and can be used by you in connection with the securing of contracts. They have not yet been passed officially by the Board, as it is impossible for this to be done until arrangements are finally completed for service to your municipality, but in all probability there will be no change and they can be used for estimating purposes without fear of any change or increase that will affect the customers' bills to any great extent."

One reason advanced by the Commission to account for the claim that the actual rates exceed the estimated rates (See page 18 idem) is that all the municipalities were co-partners in the system and that, in view of the fact that some of the municipalities, like Tara, only took half of the LOAD it was estimated they would take, the Commission could not be criticized if the rates per horse power had increased in proportion as the load had fallen off. It is submitted that the Hydro-Electric Power Commission was not sufficiently frank with the municipalities as to the terms of the obligation they were assuming in entering into the power contracts with the Commission. The estimates submitted were not clearly rates conditional upon the use of a definite load in horsepower. The paragraph quoted above suggests that the commission was in

..... I submit, gentlemen, that the point
and the place, is being reached very rapidly where it
won't be possible to secure a rate sufficient to meet
the cost of service....."

Dr. Hacking read letter, received by officers of

Letter from the Hydro-Electric Power Commission, stating the
original estimated rate of \$40.00 per h.p., per annum. Letter
is taken to the following paragraph, which appears in a
letter from Mr. Gaby to the Board of Trade, dated 11th May, 1904:

"For your information we also wish to state that
these rates are approximate and can be used by you
in connection with the securing of contracts.
They have not yet been passed officially by the
Board, as it is impossible for this to be done
until arrangements are finally completed for
revenue to your municipality, but in all probability
there will be no change and they can be used
for estimating purposes without fear of any
serious or important that will affect the agreement
bills to any great extent."

One reason advanced by the Commission to account

for the claim that the actual rates exceed the estimated

rates (see page 18 above) is that all the municipalities

were co-partners in the system and that, in view of the fact that

some of the municipalities, like Town, only took half of the

load it was estimated they would take, the Commission could

not be criticised if the rates per horse power had increased

in proportion as the load had fallen off. It is admitted that

the Hydro-Electric Power Commission was not arbitrarily treated

with the municipalities as to the terms of the obligation

they were assuming in entering into the power contracts with

the Commission. The estimates submitted were not clearly

water conditional upon the use of a definite load in horsepower.

The paragraph quoted above suggests that the Commission was in

the habit of informing the municipalities that the rates could be used for estimating purposes without fear of any change."

Dr. Hacking said (Ev. 221) that the representatives of the Commission stated upon the platform in Tara:

"Gentlemen, if you do not use the 100 h.p., you do not have to pay for it..... There are gentlemen here who will tell you this afternoon that they went on every platform and told them identically the same thing."

It is surely unreasonable to believe that the electors of Tara would have approved of the Hydro by-laws if the Hydro representatives had frankly informed the electors that the estimate of \$37.36 was based upon an estimated load of 100 h.p. and that, if the actual load dropped to 50 h.p. and the loads on the other municipalities in the system were similarly over-estimated, the rate for Tara would jump to \$90 per horse power.

With regard to street lighting in Tara, Dr. Hacking said:

"Our street lighting system has cost us today about \$1,600 in a town of 500, \$25 a street lamp when they originally estimated it would be \$16. They say 'oh, well'. Some of the engineers tell you this. You mustn't think you can get a rate like you can get in Toronto."

The industrial future of the Eugenia municipalities in the light of the current rates for power was emphasized by Dr. Hacking:

"How in the world, in the face of that letter of Mr. Gaby's (quoting rate of \$36.37 per h.p. per annum and advising that the rate would be used for estimating purposes without fear of any change) can I, as Chairman, go to a manufacturer in Tara and say to him 'The power is going to be so much,'

The habit of looking the watchtowers that the rates
could be used for estimating purposes without fear of any
change."

Dr. Mackay said (27.321) that the representatives

of the Government stated upon the platform in Paris:

"Gentlemen, if you do not use the 100 h.p., you
do not have to pay for it. . . . There are gentlemen
here who will tell you this afternoon that they want on
every platform and told them identically the same thing."

It is hardly unreasonable to believe that the

electors of Paris would have approved of the Hydre by-laws

if the Hydre representatives had frankly informed the electors

that the estimate of \$77.50 was based upon an estimated load

of 100 h.p. and that, if the actual load dropped to 85 h.p.

and the loads on the other municipalities in the system were

similarly over-estimated, the rate for Paris would jump to

\$90 per horse power.

With regard to street lighting in Paris, Dr. Mackay

said:

"Our street lighting system has cost us today
about \$1,500 in a town of 500,000 a street lamp
when they originally estimated it would be \$10.
They say 'oh, well.' Some of the engineers
tell you this. You mustn't think you can get
a rate like you can get in London."

The industrial future of the Argentine municipalities

in the light of the current rates for power was emphasized by

Dr. Mackay:

"Now in the world, in the race of that letter of
Dr. Mackay's (quoting rate of 35.37 per h.p. per annum
and saying that the rate would be used for
estimating purposes without fear of any change)
can I, as Chairman, go to a manufacturer in Paris
and say to him 'The power is going to be so much,'

and he says 'Yes, it is pretty high, will you guarantee that rate to me?' How can I? There is the letter in black and white where they say that you can charge power at \$37 a horsepower, whereas today it is \$90." (Ev.223.)

The case of Hanover is enlightening in contradistinction to that of Tara, inasmuch as Hanover was quoted a rate of \$33.90 per horsepower on the basis of an estimated load of 400 h.p., and in 1921, when the average load exceeded 1,000 h.p., the interim rate was \$40 per horsepower, and the current rate today \$35. per horsepower. There would seem to be ground for complaint on the part of Hanover, inasmuch as this municipality has fulfilled all the conditions of its contract and increased its load by over 250 per cent. (Ev.225).

The case of Mount Forest is similar to that of Tara. The estimated rate was \$34.51 and the municipality is now paying \$65. On the other hand the estimated rate was based upon an estimated load of 400 h.p., and the average load for 1921 was only 185.6 h.p. But the Mount Forest representative, Filtchie, made the same statement as the representatives from Tara and other municipalities:

"We were also distinctly told that we would be better to have a plant capable of carrying 400 h.p., and if we didn't want 400 h.p. we would only pay for what we actually used." (Ev.260.)

"Mr. James distinctly stated from the platform in Mount Forest, in 1914, after their engineers had estimated and taken into consideration all the facts that \$34.51 was the outside price it could possibly be and possibly it would be less." (Ev.262)

".....We trusted those men; we thought they were capable men and knew what they were talking about, and they came and made an estimate and gave us a certain price. They have now raised that price practically 100 per cent." (Ev. 262)

and he says 'Yes, it is pretty high, will you
guarantee that rate to me?' Now can I? There
is the latter in black and white where they say
that you can charge power at \$27 a horsepower,
whereas today it is \$30." (Ev. 283.)

The case of Hanover is enlightening in contrast-

distinction to that of Tarr, inasmuch as Hanover was quoted
a rate of \$23.90 per horsepower on the basis of an estimated
load of 400 h.p., and in 1921, when the average load exceeded
1,000 h.p., the interim rate was \$40 per horsepower, and the
current rate today \$35. per horsepower. Their would seem to
be ground for complaint on the part of Hanover, inasmuch as this
municipality has fulfilled all the conditions of its contract
and increased its load by over 250 per cent. (Ev. 285.)

The case of Mount Forest is similar to that of

Tarr. The estimated rate was \$24.51 and the municipality
is now paying \$35. On the other hand the estimated rate
was based upon an estimated load of 400 h.p., and the average
load for 1921 was only 185.6 h.p. But the Mount Forest
representative, Whitely, made the same statement as
the representatives from Tarr and other municipalities:

"We were also distinctly told that we would be better

to have a plant capable of carrying 400 h.p., and if we
didn't want 400 h.p. we would only pay for what we
actually used." (Ev. 280.)

"Mr. James distinctly stated from the platform in
Mount Forest, in 1914, after their engineers had
estimated and taken into consideration all the facts
that \$24.51 was the outside price it could
possibly be and possibly it would be less." (Ev. 282.)

".....We trusted those men; we thought they were
capable men and knew what they were talking about,
and they came and made an estimate and gave us a
certain price. They have now raised that price

Orangeville, 304, 321.) "Some of the later administrative work was carried on and particularly some of the later development work at a very much later period, and during war conditions."

In answer to the representations outlines above, with regard to Claim No.1, representatives of the Hydro-Electric Power Commission urged the following:

- 1 - "With regard to the complaint that the cost was more than the estimate, that doesn't need repudiation. Everybody understands that - nobody better than you gentlemen here. Those estimates were mainly made in 1914 - practically all except some of the later municipalities that came on. The work was carried on and particularly some of the later development work at a very much later period, and during war conditions."
(Mr.Lucas Ev. 313.)

In regard to Mr.Lucas' statement, it should be noted that constructions work was completed in six municipalities, including Durham, Mount Forest and Owen Sound, by November, 1915, and that it is inaccurate to state that "Those estimates were mainly made in 1914.... The work was carried on and particularly the later development work was carried on at a very much later period....." It should also be noted that no claim was made that the cost of the development work, as distinct from the cost of the local distribution systems and the cost of power, exceeded the estimates.

2- Mr.Lucas examined Mr.McCollum, Municipal Auditor of the Hydro-Electric Power Commission, with regard to statement "D" of the 1921a report of the Power Commission and sought to show that the cost of power to the consumer in the Eugenia municipalities had steadily decreased notwithstanding the increased cost of power to the municipalities.

As Mr.Lucas said (Ev. 319):

"I want to show from these figures that there has been a decrease in the cost of power to the ultimate consumers - to the man who pays the bill. That is what I want to get out."

In answer to the representations outlined above,

with regard to Claim No. 1, representatives of the Hydro-

Electric Power Commission urged the following:

1 - "With regard to the complaint that the cost was more than the estimate, that doesn't need explanation. Everybody understands that - nobody better than you gentlemen here. Those estimates were made in 1914 - practically all except some of the later municipalities that came on. The work was carried on and particularly some of the later development work at a very much later period, and during war conditions." (Mr. Lucas Ev. 313.)

In regard to Mr. Lucas' statement, it should be noted that construction work was completed in six municipalities including Durham, Mount Forest and Owen Sound, by November, 1918, and that it is inaccurate to state that "those estimates were made in 1914....". The work was carried on and particularly the later development work was carried on at a very much later period....". It should also be noted that no claim was made that the cost of the development work, as distinct from the cost of the local distribution systems and the cost of power, exceeded the estimates.

2 - Mr. Lucas examined Mr. McColgan, Municipal Auditor of the Hydro-Electric Power Commission, with regard to statement "D" of the 1931 report of the Power Commission and sought to show that the cost of power to the consumer in the Niagara municipalities had steadily decreased notwithstanding the increased cost of power to the municipalities. As Mr. Lucas said (Ev. 319):

"I want to show from these figures that there has been a decrease in the cost of power to the ultimate consumer - to the man who pays the bill. That is what I want to show."

It cannot be disputed that, according to the records of the Hydro-Electric Power Commission, the average cost of power to the ultimate consumer in the Eugenia System has decreased over a period of years. In order to complete the picture drawn by Mr. Lucas, however, the cost of power in the municipalities of the Niagara and other systems, and the average decrease in the cost of power to the ultimate consumers on other systems should be carefully examined and compared with the figures deduced by Mr. Lucas. Generally speaking the average cost of light and power to ultimate consumers in the Eugenia System is substantially higher than the cost on other systems, and the decrease in the cost since the inception of Hydro in the Eugenia district is not nearly as noteworthy as in the case of other systems.

It is suggested that Messrs. Price, Waterhouse & Co. should, in connection with the report upon rates and rating generally, deal specifically with statement "D", submitted by Mr. Lucas in evidence as above mentioned, with particular reference to the Eugenia System.

3 - Figures were submitted by representatives of the Commission showing that the most of the Eugenia municipalities had a net surplus on their operations.

On behalf of Owen Sound, Mr. Armstrong spoke of an indebtedness to the Commission of \$16,000. With regard to this deficit Mr. Armstrong said:

"It is carried as an outstanding account at the present time."

At this point Sir Adam Beck interjected:

"You may not know it but that is wiped out." (Ev. 248.)

Mr. Lucas, examining Mr. McCollum, (Ev. 319), asked:

It cannot be disputed that, according to the records of the Hydro-Electric Power Commission, the average cost of power to the ultimate consumer in the Niagara System has decreased over a period of years. In order to complete the picture drawn by Mr. Innes, however, the cost of power in the municipalities of the Niagara and other systems, and the average decrease in the cost of power to the ultimate consumers on other systems should be carefully examined and compared with the figures deduced by Mr. Innes. Generally speaking the average cost of light and power to ultimate consumers in the Niagara System is substantially higher than the cost on other systems, and the decrease in the cost since the inception of Hydro in the Niagara District is not nearly as noteworthy as in the case of other systems. It is suggested that Messrs. Price, Waterhouse & Co. should, in connection with the report upon rates and rating generally, deal specifically with statement "D", submitted by Mr. Innes in evidence as above mentioned, with particular reference to the Niagara System.

3 - Figures were submitted by representatives of the Commission showing that the most of the Niagara municipalities had a net surplus on their operations.

On behalf of Owen Sound, Mr. Armstrong spoke of an indebtedness to the Commission of \$15,000. With regard to this deficit Mr. Armstrong said:

"It is carried as an outstanding account at the present time."

At this point Mr. Adam Beck interjected:

"You may not know it but that is wiped out." (Hv. 248.)

Mr. Innes, examining Mr. Armstrong (Hv. 249) asked:

"Give me the total result since it (Owen Sound) commenced in 1916; the net surplus on hand."

Mr. McCollum: "There is an accumulated surplus at the end of 1921 of Thirty Thousand odd dollars."

Mr. Lucas: "That, with the correction which Sir Adam Beck made this morning?"

Mr. McCollum: "Would mean \$16,000 more - \$46,000."

With regard to Durham, Mr. McCollum stated: (Ev. 320)

"The balance sheets shows in that time (1916-1921) an accumulated deficit of \$2,623, but that includes a local reserve for renewals on their local system, \$3,829." It would leave them \$1,200 of a net surplus without providing for local depreciation."

With regard to Markdale, Mr. McCollum said: (Ev. 321)

"Markdale's balance sheets shows an accumulated surplus in that time of \$2,978 in addition to \$2,321."

It is suggested that the evidence submitted by Mr. Lucas, with regard to the net surplus or deficit of the Eugenia municipalities (Ev. 316-323) should be analyzed and reported upon by Messrs. Price, Waterhouse & Co.

4. One of the chief reasons advanced by the Commission as accounting for the high cost of power on the Eugenia System was that the municipalities had not taken the amount of power which it had been estimated they would take. Mr. Gaby pointed out (Ev. 375) that the estimated rates were based upon definite estimated loads as set out in the contracts between the municipalities and the Commission. In part Mr. Gaby said:

"....In order to show you what it would have meant if these municipalities had taken the amount of power that was estimated upon.....it would have changed the cost of the municipality of Markdale from \$36 (?) to \$27.93; It would have changed the cost of Chatsworth from \$61 to \$42.68; it would have changed the cost of Tara from \$100 to \$57.45, and it would have changed the cost on 1200 basis until where you actually used 1390 from 38 to 40 and if you had used 1390 h.p. it would probably reduce these rates, in so far as

"Give me the total result since it (Owen Sound) commenced in 1916; the net surplus on hand."

Mr. McGowan: "There is an accumulated surplus at the end of 1921 of thirty thousand odd dollars."

Mr. Lucas: "That, with the correction which Sir Adam Bech made this morning?"

Mr. McGowan: "Would mean \$16,000 more - \$44,000."

With regard to Durham, Mr. McGowan stated: (Ev. 320)

"The balance sheet shows in that time (1916-1921) an accumulated deficit of \$2,622, but that includes a local reserve for renewals on their local system, \$2,322. It would leave them \$3,000 or a net surplus without providing for local depreciation."

With regard to Markdale, Mr. McGowan said: (Ev. 321)

"Markdale's balance sheet shows an accumulated surplus in that time of \$2,978 in addition to \$2,321."

It is suggested that the evidence submitted by Mr. Lucas,

with regard to the net surplus or deficit of the Niagara municipalities (Ev. 316-322) should be analyzed and reported upon by Messrs.

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"....In order to show you what it would have meant if these municipalities had taken the amount of power that was estimated upon.....it would have changed the cost of the municipality of Markdale from \$30 (?) to \$27.95; it would have changed the cost of Chateaufort from \$21 to \$42.66; it would have changed the cost of Lake from \$100 to \$27.45, and it would have changed the cost on 12000 pounds with you actually used 12000 pounds to 40 and 45 you had used 12000 pounds."

"Owen Sound is concerned, from \$1.00 to \$2.00 per h.p., and it would have also reduced the cost to other municipalities on account of that extra 300 h.p. in their proportion probably \$10 or \$5 per horse power. That illustrates how these estimates were prepared."

The following extract is taken from pages 400 - 401:

Chairman: "I understand from you just now that one of the principles, contributing to the increase in cost, was that the power used was far less than that held in reserve for the different municipalities and upon which the original estimates were based?"

Mr. Gaby: "Yes".

Chairman: "Now, I find that the total amount held in reserve according to your statement was 5,025 h.p., while the total amount supplied in 1921 was 4698; that is very close to the amount of your estimate, so that you were selling all the power that you expected to?"

Mr. Gaby: "You cannot make a comparison in that way because the distribution of that load is not the same. You may estimate on the delivery of 2000 h.p. in that district and only deliver 1000 and this municipality's load will be different, notwithstanding the fact that you take that other thousand and put it along some other line."

In order to clinch his argument that the power rates on the Eugenia System would have been close to the estimated rates if the actual loads had been close to the estimated loads, Mr. Gaby referred to the situation on the System in 1918. In that year the average horse power sold was 4091.4 h.p., of which 1337.0 h.p. was sold to the Severn System. Mr. Gaby said, in part, as follows: (Ev. 401-2)

"Here is the situation in which the municipalities were in 1918: With no additional capital expenditure for extensions, there was approximately the amount used - 4,000 h.p. - that we originally estimated upon for these different municipalities. The actual cost to Orangeville in 1918 was estimated at \$35.42. Notwithstanding the fact that it didn't take the power they estimated, the cost was \$32.80."

"Gwen Bond is concerned, from \$1.00 to \$2.00 per h.p., and it would have also reduced the cost to other municipalities by amount of that extra 300 h.p. in their proportion probably \$10 or \$2 per horse power. That illustrates how these estimates were prepared."

The following extract is taken from pages 400 - 401:

Chairman: "I understand from you that now that one of the principles, contributing to the increase in cost, was that the power used was far less than that held in reserve for the different municipalities and upon which the original estimates were based?"

Mr. Gaby: "Yes."

Chairman: "Now, I find that the total amount held in reserve according to your statement was 8,000 h.p., while the total amount supplied in 1921 was 4,000; that is very close to the amount of your estimate, so that you were selling all the power that you expected to?"

Mr. Gaby: "You cannot make a comparison in that way because the distribution of that load is not the same. Your estimate on the delivery of 8,000 h.p. in that district and only deliver 1,000 and this municipality's load will be different, notwithstanding the fact that you take that other thousands and put it along some other line."

In order to clinch his argument that the power rates on the Eugene system would have been close to the estimated rates if the actual loads had been close to the estimated loads, Mr. Gaby referred to the situation on the system in 1918. In that year the average horse power sold was 4,001.4 h.p., of which 1,000.0 h.p. was sold to the Severn system. Mr. Gaby said, in part, as follows: (Pp. 401-2)

"Here is the situation in which the municipalities were in 1918: With no additional capital expenditures for extensions, there was approximately the amount used - 4,000 h.p. - that we originally estimated upon for these different municipalities. The actual cost to Grandville in 1918 was estimated at \$32.43. Notwithstanding the fact that it didn't take the power they estimated, the cost was \$32.38."

In other words, Mr. Gaby claims that, in 1918, the amount of power sold the Severn System just about equalled the difference between the actual load and the estimated load on the municipalities and that the facts show that, in that year, the actual rates closely approximated the estimated rates.

This statement of Mr. Gaby's is rather illuminating and will be referred to in connection with the claim that the capital cost on the Eugenia System is excessive and in a measure accounts for the high cost of power (See Claim No. 5). It is clear that, in 1918, the Eugenia System was fairly well on its feet, but the Commission in its optimism, in that year, proceeded, without consulting the municipalities, to double the capacity and incidentally the capital investment in the System. The result was that, when the load on the Severn System fell from over 1300 h.p. to zero the increased rates reflected not only the loss of the System's largest customer but the greatly increased capital investment.

5 - Another reason for the increased rates to Eugenia municipalities advanced by the Commission was that other municipalities, which subsequently decided not to take Hydro Power had been figured on in the computation of the estimates.

For example, with regard to the estimated rate of \$36.37 to Tara, Mr. Gaby said: (Ev. 387)

"The municipalities of Port Elgin and Southampton are in that district and were partnerships in that group and that is how the \$36 was arrived at."

In other words, Mr. Gaby claims that, in 1918, the amount of power sold the Severn System just about equalled the difference between the actual load and the estimated load on the municipalities and that the facts show that, in that year, the actual rates closely approximated the estimated rates.

This statement of Mr. Gaby's is rather illuminating and will be referred to in connection with the claim that the capital cost on the Niagara System is excessive and in a measure accounts for the high cost of power (See Claim No. 5). It is clear that, in 1918, the Niagara System was fairly well on its feet, but the Commission in its optimism, in that year, proceeded, without consulting the municipalities, to double the capacity and incidentally the capital investment in the System. The result was that when the load on the Severn System fell from over 1800 h.p. to zero the increased rates reflected not only the loss of the System's largest customer but the greatly increased capital investment.

5 - Another reason for the increased rates to Niagara municipalities advanced by the Commission was that other municipalities, which subsequently decided not to take Hydro Power had been figured on in the computation of the estimator.

For example, with regard to the estimated rate of \$26.25 to Kane, Mr. Gaby said: (Ex. 387)

"The municipalities of Fort Ligon and Southampton are in that district and were contemplated in that

And further (Ev. 388) Mr. Gaby said:

"That (\$36.37) was based on the supply in the Kilsyth Station 125, Tara 100, Shallow Lake 50, Wiarton 300, Southampton 300, Port Elgin 200."

6 - Another reason advanced for the increase in rates was that stated by Mr. Lucas: (Ev. 386).

"In some cases it is to take care of the deficit that has accrued owing to the fact that the cost has been higher during the earlier years. For instance, in Arthur the cost of power in 1917, to the municipality, was \$125 because they used a very small amount. In 1918 it was \$35; in 1919 \$59 and in 1920 \$86, depending on conditions. These rates are very often raised to take care of the conditions in the past; they accumulate deficits on the books of the Commission."

In other words, it is suggested that the high rates for power at present prevailing on the Eugenia System are the result of deficits built up in earlier years when the municipalities were not being charged full cost of power. In this connection the report of Messrs. Price, Waterhouse & Company on the Eugenia System should be noted. At page 23, the report points out:

"The majority of the account show charged one after another indicating in these instances that interim rates do not cover the actual cost of power as indicated by the column headed 'Years' at the right of the October 31st, 1921 balances; numerous accounts extend back to the first year that the municipalities received electrical power."

7- The increased cost of operation and the increase in the prevailing rates of wages was advanced by Mr. Gaby as another reason for the increased power rates on the Eugenia

System. In this regard, Mr. Gaby said in part as follows: (Ev 405

"I was discussing the cost of the various municipalities and the reasons for the increase in the cost. Between the year 1918 and the year 1921 there was an increase of approximately 60 per cent increase in wages. In 1921 there was approximately 61 per cent increase in the cost of operation after deducting the amount that had been added during that period."

And further (Ev. 388) Mr. Gaby said:

"That (\$38.47) was based on the supply in the
Kilgus Station 125, Lane 100, Challen Lake 50, Winton
300, Condampton 300, Fort Wagon 300."

8 - Another reason advanced for the increase in

rates was that stated by Mr. Luman: (Ev. 389),

"In some cases it is to take care of the deficit
that has occurred owing to the fact that the cost
has been higher during the earlier years. For
instance, in 1917 the cost of power in 1917,
to the municipality, was \$185 because they used
a very small amount. In 1918 it was \$300, in
1919 \$400 and in 1920 \$500, depending on conditions.
These rates are very often raised to take care of
the conditions in the past; they accumulate deficits
on the books of the Commission."

In other words, it is suggested that the high rates

for power at present prevailing on the Niagara system are the
result of deficits built up in earlier years when the munic-
ipalities were not being charged full cost of power. In this
connection the report of Messrs. Price, Waterhouse & Company
on the Niagara system should be noted. At page 22, the
report points out:

"The majority of the account show charges one
after another indicating in these instances that
interim rates do not cover the actual cost of
power as indicated by the column headed 'Losses' at
the right of the October 31st, 1921 balance;
numerous accounts extend back to the first year
that the municipality received electrical power."

7 - The increased cost of operation and the increase

in the prevailing rates of wages was advanced by Mr. Gaby as

another reason for the increased power rates on the Niagara

system. In this regard, Mr. Gaby said in part as follows: (Ev. 400)

"I was discussing the cost of the various municipalities
and the reasons for the increase in the cost.
Between the year 1918 and the year 1921 there was
an increase of approximately 50 per cent increase in
wages. In 1921 there was approximately 51 per cent
increase in the cost of operation after deducting the
amount that had been added during that period."

CLAIM NO. 5 -

"That the capital cost of the Eugenia System (in excess of \$2,048,000) is excessive; that the capital cost per horse power is 40% higher in the Eugenia System than in the Severn System.

This claim was advanced by Dr. Hacking in the following terms: (Ev. 217)

In 1916 this plant was capitalized at practically a million and a quarter dollars, that is, the Eugenia plant, and that million and a quarter dollars was supposed to be delivering at that time about 3700 h.p. on the 24 hour basis. "That is the figure as taken from the Blue Book. Then in 1921 the capitalization is \$2,050,000 and the rated capacity of the plant is no greater. Greater on the peak load but not for 24-hour service. Now then, there is a million dollars that there is no revenue coming from. That, I submit, gentlemen, is the main factor as to why we are not able to get along....."

According to the ninth annual report of the Commission the capital investment in the Eugenia System as of 31st October, 1916, was \$1,100,154.40. The capital investment as of October 31, 1921, according to the Price, Waterhouse report, page 6, was \$2,048,663.60. Officers of the Commission admit that the capacity of the plant (24-hour continuous, 100% load factor) is about 3,500 h.p. (Ev. 314, 414). Dr. Hacking's premises in making the claim quoted above are, therefore approximately accurate.

It was also submitted, in support of this claim, that the Severn System, which during the year ending October 31, 1921, produced an average of 5440 h.p. as compared with a production by the Eugenia development of 4698 h.p., has a capital investment of only \$1,406,847.24 as compared with a capital investment in the Eugenia System of \$2,048,000. In

CLAIM NO. 5

"That the capital cost of the Nevada System in excess of \$2,048,000 is excessive; that the capital cost per horse power is 40% higher in the Nevada System than in the Revern System."

This claim was advanced by Dr. Hastings in the

following terms: (Ex. 217)

In 1921 this plant was capitalized at practically a million and a quarter dollars, that is, the Nevada plant, and that million and a quarter dollars was supposed to be delivered at that time about 3,500 h.p. on the 24-hour basis. "That as the figure as taken from the Blue Book. Then in 1921 the capitalization is \$2,048,000 and the rated capacity of the plant is no greater. Greater on the peak load but not for 24-hour service. Now then, there is a million dollars that there is no revenue coming from. That, I submit, gentlemen, is the main factor as to why we are not able to get along....."

According to the ninth annual report of the Commission the capital investment in the Nevada System as of 31st October, 1921, was \$1,100,154.40. The capital investment as of October 31, 1921, according to the Price, Waterhouse report, page 6, was \$2,048,323.60. Officers of the Commission admit that the capacity of the plant (24-hour continuous, 1921 load factor) is about 3,500 h.p. (Ex. 214, 215). Dr. Hastings' premises in making the claim stated above are, therefore approximately accurate.

It was also admitted, in support of this claim, that the Revern System, which during the year ending October 31, 1921, produced an average of 8440 h.p. as compared with a production by the Nevada development of 4633 h.p., has a capital investment of only \$1,400,347.34 as compared with a capital investment in the Nevada System of \$2,048,000. In

other words the capital cost per horse power each system works out at: Eugenia \$436; Severn \$258. This deduction might be enlarged to include a comparison of the generating costs per h.p. on the two systems. In this regard, Mr. Gaby stated, with regard to the Eugenia System, in part, as follows: (Ev. 373)

"The generating costs are uniform on the power unit to all municipalities, that is the capital expenditure on the generating station which happens to be in the year 1921 \$868,505.30, distributed uniformly between 4698 h.p.....That gives you a uniform cost of approximately \$184 per horsepower for the horsepower in use at that time including all costs of generation."

According to the auditors' report for the same period the capital investment in the generating station at Big Chute was \$652,252.43, and the average horsepower produced was 5440. The generating cost of power on the Severn System was, therefore, \$120. per h.p. as compared with \$184 per h.p. on the Eugenia System.

The representatives of the Commission did not make any comment by way of explaining the difference in capital investment and generating cost per horsepower between the Eugenia System and the Severn System. However, Mr. Gaby took considerable time to show that the additional capital investment in new lines and distributing stations did not affect the power rates in the original municipalities. He pointed out that, of the additional capital expenditure complained of, totalling approximately \$1,000,000, \$700,000 of that amount was expended in lines and distributing stations and that it would be the balance of \$300,000 only which would affect the power rates in the original municipalities.

other words the capital cost per horse power each system works out at: Hagania \$280; Severn \$258. This deduction might be enlarged to include a comparison of the generating costs per h.p. on the two systems. In this regard, Mr. Gaby states, with regard to the Hagania system, in part, as follows: (Ev. 373)

"The generating costs are uniform on the power unit to all manufacturing, that is the capital expenditure on the generating station which appears to be in the year 1921 \$280, 500, distributed uniformly between 4000 h.p. That gives you a uniform cost of approximately \$184 per horsepower for the horsepower in use at that time including all costs of generation."

According to the auditors' report for the same period the capital investment in the generating station at Hagania was \$258, 500, and the average horsepower produced was 2440. The generating cost of power on the Severn system was, therefore, \$180. per h.p. as compared with \$184 per h.p. on the Hagania system.

The representatives of the Government did not make any comment by way of explaining the difference in capital investment and generating cost per horsepower between the Hagania system and the Severn system. However, Mr. Gaby took considerable time to show that the additional capital investment in new lines and distributing stations did not affect the power rates in the original municipalities. He pointed out that, of the additional capital expenditure complained of, totaling approximately \$1,000,000, \$700,000 of that amount was expended in lines and distributing stations and that it would be the balance of \$300,000 only which would affect the power rates in the original municipalities.

CLAIM NO. 6.

"That there ought to be some legislative machinery through which the municipalities could be consulted before any extensive additions to the System were undertaken."

This claim arises directly out of Claim No.5. The representatives of the Eugenia municipalities, who appeared before the Inquiry Commission, felt that one cause of the high power rates on the Eugenia System was that the Commission had enlarged the development plant at Eugenia Falls and expended almost three-quarters of a million dollars on extensions of lines to new municipalities and new distributing stations. In other words, it was the additional capital investment of the last four years which was directly responsible for the greatly increased rates for power. Mr. Gaby, as noted in connection with Claim No.5 assured the delegates that the original municipalities were not paying one cent towards the cost of extensions to new municipalities. At the same time it was admitted that the additional capital investment on the development plant of \$300,000 would be reflected in the power rates to the original municipalities. The question arises as to whether or not this additional development plant would have been required in the absence of the demand created by the new municipalities.

Mr. John Taylor, of Hanover, explained (Ev.225) that the belief that the original municipalities were paying for the extensions to new municipalities was the real reason of the formation of the Eugenia Hydro-Electric Association. Mr. Taylor said in part:

"We thought it was a correct principle that the fellows who pay the bills should have some say.

"That was an autocratic principle and we thought that we should have something to do or have something to say in regard to the investment with which we are going to be responsible."

Mr. Gregory: "Were you consulted at all?"

Mr. Taylor: "With regard to the present extensions?"

Mr. Gregory: "Or any of them?"

Mr. Taylor: "No, but what scared us was.....the extensions going on and now there is talk of shortage of power on the Eugenia System, loading us with further deficits, and we hadn't a word to say about it..... That is an autocratic power they have.....None of these systems has any apparent control over their own output or expenditures and that we think is not proper."

The Chairman proceeded to press Mr. Taylor to make some constructive suggestion as to how the municipalities might be consulted, and finally Mr. Taylor said: (Ev. 227)

"I think the system should have a commission of its own, that is what I think.....Of course, I do not think it is possible to dispose of the Hydro-Electric Power Commission of Ontario. There should be a central authority some place.....We should have a measure of local control over our own system, and probably each system the same. The undertaking is too big to be looked over that way by a central commission."

The Chairman later threw out a suggestion as follows:

(Ev. 229)

"If you had someone representing your municipality, to act as intermediary between your municipality and the Hydro-Electric Power Commission, wouldn't that answer your purpose?"

Mr. Taylor: "It might?"

Mr. R.A. Ross, in an endeavor to crystallize the Mr. Taylor's ideas, asked whether or not some sort of voluntary municipal association would not be preferable to a scheme dependent upon substantive legislation. (229). Mr. Taylor seemed to think that a voluntary association, along the lines of the Eugenia Hydro-Electric Association, would be futile unless clothed with a certain measure of local authority, Mr. Legate

"That was an automatic principle and we thought that we should have something to do or have some- thing to say in regard to the investment with which we are going to be responsible."

Mr. Gregory: "Were you consulted at all?"
Mr. Taylor: "With regard to the present arrangement?"
Mr. Gregory: "Or any of them?"
Mr. Taylor: "No, but what occurred as was... the extension going on and how there is talk of change of power on the Western System, looking on with further details, and we had a word to say about it... There is an automatic power they have... one of these systems has not yet been covered over their own output or expenditure and that we think is not proper."

The Chairman proceeded to press Mr. Taylor to make

some constructive suggestion as to how the municipalities might

be consulted, and finally Mr. Taylor said: (Mr. 237)

"I think the system should have a commission of its own, that is what I think... Of course, I do not think it is possible to discuss the Hydro-Electric Power Commission of Ontario. There should be a central authority some place... We should have a measure of local control over our own system, and probably each system the same. The underlying is too big to be looked over that way by a central commission."

The Chairman later threw out a suggestion as follows:

(Mr. 238)

"If you had someone representing your municipality to act as intermediary between your municipality and the Hydro-Electric Power Commission, wouldn't that answer your purpose?"

Mr. Taylor: "It might?"

Mr. A. Ross, in an endeavor to crystallize the Mr.

Taylor's ideas, asked whether or not some sort of voluntary

municipal association would not be preferable to a board

dependent upon legislative legislation. (Mr. 239). Mr. Taylor

seemed to think that a voluntary association, along the lines

of the Hydro-Electric Association, would be rather unwise

clothed with a certain measure of local authority. Mr. Ross

came out definitely for a local commission. He said, in part, as follows: (Ev. 272-3)

"The Eugenia System could be more efficiently and economically operated by a commission appointed by the municipalities interested, as they would be in closer touch with the work and more vitally interested in the financial aspect.... We would expect to be under the Commission, just the same, in an advisory way, and that they would have tab on us so that we couldn't go wrong, but we think if we had the right men on a Commission there, with three engineers that are in the district - and there are three engineers in that district - that we could take care of the plant very much cheaper than is being done at the present time and that we would save a good deal of money."

Mr. Legate and other delegates proceeded to make charges of inefficiency and maladministration in connection with construction and operation on the Eugenia System. Specific charges were laid by Mr. Legate, Mr. J. E. Foerster and Mr. W. Calder with respect to inefficient handling of men on construction work, delays in making repairs, absences of important officials from the Head Office without leaving a capable man in charge, and so on. Particular cases were submitted by these gentlemen to show that the local affairs of the System were not being efficiently handled and that, if the principle of decentralization of authority were favored and a measure of local autonomy given to the different systems, these local affairs would be more efficiently administered. Representatives of the Commission answered these charges in detail and there was a reasonable explanation forthcoming in each individual case. The atmosphere should not be lost sight of, however, namely, that there is evidence of general dissatisfaction with the administration of the system and it is suggested that the representatives of the municipalities

came out definitely for a local commission. He said, in part

as follows: (Ev. 272-3)

"The Bureau System would be more efficiently and economically operated by a commission appointed by the municipalities interested, as they would be in closer touch with the work and more vitally interested in the financial aspect.... We would expect to be under the Commission, just the same, in an advisory way, and that they would have to do as we said we couldn't go wrong, but we think it we had the right man on a commission there, with three engineers that are in the district - that we could take care of the plant very much cheaper than is being done at the present time and that we could have a good deal of money."

Mr. Legate and other delegates proceeded to make charges of inefficiency and misadministration in connection with construction and operation on the Bureau System. Specific charges were laid by Mr. Legate, Mr. J. A. Forster and Mr. W. G. Gilder with respect to inefficient handling of men on construction work, delays in making repairs, absence of important officials from the Head Office without leaving a capable man in charge, and so on. Particular cases were submitted by these gentlemen to show that the local officials of the System were not being efficiently handled and that, if the principle of decentralization of authority were favored and a measure of local autonomy given to the different systems, these local officials would be more efficiently administered. Representatives of the Commission answered these charges in detail and there was a reasonable explanation forthcoming in each individual case. The atmosphere should not be lost sight of, however, namely, that there is evidence of general dissatisfaction with the administration of the System and it is suggested that the respondents

were not satisfied with plausible explanations of inefficiency charges in particular cases.

The representatives of the Commission did not have any comment to make on the suggestion of a local system commission per se, but with respect to the closer operation between the Commission and the municipalities, Mr. Gaby said in part as follows: (Ev. 441-2):

"It is important that we should have someone selected by them who might consult with us and keep the local municipalities in closer touch with the hydro than it possibly is at the present time. I think the form of the association which they have at the present time is a very good thing, so they can discuss from time to time with the Commission, the general policies of the district."

The evidence on this claim is rather unsatisfactory in that no constructive measure of "legislative machinery" was put forward. Opinions of individual delegates varied all the way from the suggestion that the Eugenia Hydro-Electric Association might be officially recognized as speaking for the municipalities to the demand that there should be a local hydro-electric commission elected by the constituent municipalities to which all control over matters of a local nature should be delegated.

were not satisfied with plausible explanations of
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The representatives of the Commission did not

have any comment to make on the suggestion of a local
system commission per se, but with respect to the closer
operation between the Commission and the municipalities.

Mr. Gaby said in part as follows: (Ex. 441-8):

"It is important that we should have someone
selected by them who might consult with us and
keep the local municipalities in closer touch
with the Hydro than it possibly is at the present
time. I think the form of the association which
they have at the present time is a very good thing,
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The evidence on this claim is rather unconvincing

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way from the suggestion that the Hydro-Electric Assoc-
iation might be officially recognized as speaking for the

municipalities to the demand that there should be a local
hydro-electric commission elected by the constituent

municipalities to which all control over matters of a local
nature should be delegated.

CLAIM No.7 -

That the municipalities were not consulted before recent extensions aggregating approximately One million dollars were constructed by the Commission resulting in a very large increase in power rates to the municipalities, and the Government should assume a portion of the cost of these extensions.

This claim was advanced rather half-heartedly by Dr. McArthur of Markdale, to whom this branch of the case had been delegated. It is not necessary to go into Dr. McArthur's representations beyond pointing out that he based his claim on the hypothesis that it was the extensions to new municipalities which were directly responsible for the increased power rates to the original municipalities. "If the extensions lines, that is capital cost, rather, is increasing our rates then the Government should come to our assistance." (Ev.?) Mr. Gaby, on behalf of the Commission, appeared to satisfy the delegates that the capital cost of line extensions and distribution stations had no effect whatever on power rates in the original municipalities. It is not considered necessary to discuss the particulars of this claim at greater length.

CLAIM No. V

That the municipalities were not consulted before recent extensions aggregating approximately one million dollars were constructed by the Commission resulting in a very large increase in power rates to the municipalities, and the Government should assume a portion of the cost of these extensions.

This claim was advanced rather half-heartedly by Mr.

Member of Montreal, to whom this branch of the case had been

delegated. It is not necessary to go into Mr. Macpherson's

representations beyond pointing out that he based his claim

on the hypothesis that it was the extensions to new municipalities

which were directly responsible for the increased power rates to

the original municipalities. "If the extension lines, that is

capital cost, rather, is increasing our rates than the Government

should come to our assistance." (Ex. V) Mr. Gault, on behalf

of the Commission, appeared to satisfy the delegates that the

capital cost of line extensions and distribution stations had

no effect whatever on power rates in the original municipalities.

It is not considered necessary to discuss the particulars of

this claim at greater length.

CLAIM NO. 2 -

That the actual cost of the local distribution systems in the Eugenia municipalities exceeded the estimates furnished by the Commission, pursuant to which the electors voted in favor of the enabling by-law, almost without exception.

With regard to this claim, Dr.Hacking said, in part, as follows: (Ev.219).

"At our organization meetings in Durham.....every man voiced exactly the same complaint.....that is that the first costs as estimated have been greatly exceeded and that the distribution system costs are double. Take our own system (Tara), they said it would cost us \$7,500. It cost \$7,500 alright enough, when they got up there they handed up a bill for over \$8,000 more."

Chairman: "Did you install the same system that was originally estimated on?"

Dr.Hacking: "This system here is including 55 street lights of approximately 100 c.p. each. We had, when it was completed, about 60 lamps and we have added about 5 lamps in the last two or three years."

Continuing Dr.Hacking stated that the estimate of the local system had been furnished in 1915 (See letter, Ev. 214); that the system was completed during 1917 and that the power went on early in 1918. In reply to a question by the Chairman as to whether or not any explanation of the difference in cost had been furnished, Dr.Hacking said: (Ev.220)

"No more than that the cost of material and labor was exceedingly high. We all know that the peak of labor and material prices did not come until after 1918."

Mr.Calder submitted evidence as to the experience of the Town of Durham. Mr.Calder telling the story of the decision to take Hydro power said, in part, as follows: (Ev. 288)

"We asked these engineers to be very exact in their statements. I happened to be Reeve of the Town at that time (during construction of local distribution

EXHIBIT NO. 2 -

That the actual cost of the local distribution systems in the various municipalities exceeded the estimates furnished by the Commission, pursuant to which the electric rates in favor of the existing by-law, almost without exception.

With regard to this claim, Dr. Hocking said, in part,

as follows: (Ex. 219).

"At our organization meeting in Durham in 1915, we had voted exactly the same complaint. . . . That is that the first costs as estimated have been greatly exceeded and that the distribution system costs are double. Take our own system (Ex. 219). They said it would cost us \$7,500. It cost \$1,500. . . . They got up \$1,500. . . . They got up a bill for over \$1,500 more."

Chairman: "Did you install the same system that was originally estimated on?"

Dr. Hocking: "This system here is including 55 street lights of approximately 100 c.p.h. each. We had, when it was completed, about 30 lamps and we have added about 8 lamps in the last two or three years."

Continuing Dr. Hocking stated that the estimate of the local system had been furnished in 1915 (see letter, Ex. 219); that the system was completed during 1917 and that the power went on early in 1918. In reply to a question by the Chairman as to whether or not any explanation of the difference in cost had been furnished, Dr. Hocking said: (Ex. 220)

"We more than that the cost of material and labor was exceedingly high. We all know that the peak of labor and material prices did not come until after 1918."

Mr. Galder submitted evidence as to the experience of the Town of Durham. Mr. Galder telling the story of the decision to take Hydro power said, in part, as follows: (Ex. 221)

"We asked these engineers to be very exact in their statements. I happened to be here of the Town at that time (during construction of local distribution

System)...and we said: 'Now tell us the worst that can occur in this matter, rather than something you may imagine may occur.'.....We passed our by-law and asked them to give us an estimate of what the installment in the Town of Durham would be. After very carefully going over the situation, we received the statement that \$10,000 would make our installation in Durham, and \$3,000 to buy out the man. We passed a by-law for \$13,000 to buy this man out, give him \$3,000 and \$10,000 more for installation.

"What was the result when our installation was complete and the gentleman who had the plant there paid off with his \$3,000.? We found that we were \$7,000 short in our installation after having solid promises from these men that \$10,000 would cover our installation."

Commissioner J.A.Ross: "Did you ask for any extra or increased equipment?"

Mr.Calder: "No, we said to them, 'Now go over our town and find what is necessary to install a system for the Town of Durham. They went over our town and made a map and a chart to show us what they proposed to install."

Chairman: "And that is all they did; just the work shown on that plan?"

Mr.Calder: "That is all they did; just the work shown on that plan."

Representatives of the Commission took direct issue with the statements of Mr.Calder, with regard to the cost of the distribution system in Durham. (Ev. 392 et seq.) They claimed that the additional extensions to the system, submitted to and approved by the Council after the work commenced, were directly responsible for the additional cost of the system. In reply to the Chairman's remark that Mr.Calder had said they made no changes, the representative of the Commission replied:

"They added \$7,000 for extensions, is that no change?"

The discussion outlined in the preceding paragraph shows the unsatisfactory nature of the hearing insofar as weighing the

System)...and we said: 'Now tell us the worst that can occur in this matter, rather than something you may imagine may occur.'.....We passed our by-law and asked them to give us an estimate of what the installation in the town of Durham would be. After very carefully going over the statement, we received the statement that \$13,000 would make our installation in Durham, and \$3,000 to pay out the man. We passed a by-law for \$13,000 to pay this man out, give him \$3,000 and \$10,000 more for installation.

"What was the result when our installation was complete and the gentlemen who had the plant there paid off with his \$3,000? We found that as we were \$13,000 short in our installation after having sold promises from these men that \$13,000 would cover our installation."

Commissioner J.A. Ross: "Did you ask for any extra or increased equipment?"

Mr. Collier: "No, we said to them, 'Now go over our town and find what is necessary to install a system for the town of Durham. They went over our town and made a map and a chart to show us what they proposed to install.'"

Chairman: "And that is all they did; just the work shown on that plan?"

Mr. Collier: "That is all they did; just the work shown on that plan."

Representatives of the Commission took direct talks with the statements of Mr. Collier, with regard to the cost of the distribution system in Durham. (Ex. 502 et seq.) They claimed that the additional extensions to the system, authorized and approved by the Council after the work commenced, were directly responsible for the additional cost of the system. In reply to the Chairman's remark that Mr. Collier had said they made no changes, the representative of the Commission replied: "They added \$1,000 for extensions, is that no change?"

The discussion contained in the preceding paragraph shows the unsatisfactory nature of the hearing insofar as weighing the

evidence is concerned. The great majority of the delegates who made the various claims were not present on the second day of the hearing when representatives of the Commission submitted evidence in rebuttal of the claims.. There is an example of this situation in the preceding paragraph where a representative of the Commission stated that \$7,000 of the capital cost of the Durham distribution system is accounted for by extensions, whereas Mr.Calder, Reeve of the Town at the time, stated that there were no extensions. With regard to Durham, Mr.Caby said:

"We gave them an estimate but the work was not done for several years afterwards."

In view of the fact that Durham was one of the first group of municipalities to come on the system (December 1915) and that the estimates submitted by the Commission at the hearing are dated September, 1914, it is not apparent that more than a year elapsed between the date of the estimate and the date of the actual construction of the work.

With regard to the construction of the local distribution system in Mount Forest, Mr.A.Filschle said:

"The same thing took place in Mount Forest. The estimate was \$10,000 and when the work was completed they had to issue an extra \$8,000 in debentures" (Ev.393)

Pressed by Mr.Haney as to whether or not estimates were prepared at the time the work was commenced, Mr.James said that he believed the municipalities were informed of the increase in wages and material (394) and that he would look up letters to prove this contention. (The Commission has been requested to submit copies of any letters in this regard).

It seems to the writer that one of the chief causes of the general criticism of the discrepancy between estimates

evidence is concerned. The great majority of the delegates who made the various claims were not present on the second day of the hearing when representatives of the Commission submitted evidence in rebuttal of the claims. There is an example of this situation in the preceding paragraph where a representative of the Commission stated that \$7,000 of the capital cost of the Durham distribution system is accounted for by extensions, whereas Mr. Collier, Reeve of the Town at the time, stated that there were no extensions. With regard to Durham, Mr. Gaby said: "We gave them an estimate but the work was not done for several years afterwards." In view of the fact that Durham was one of the first group of municipalities to come on the system (December 1915) and that the estimates submitted by the Commission at the hearing are dated September, 1914, it is not apparent that more than a year elapsed between the date of the estimate and the date of the actual construction of the work. With regard to the construction of the local distribution system in Mount Forest, Mr. A. W. MacIsaac said: "The same thing took place in Mount Forest. The estimate was \$10,000 and when the work was completed they had to issue an extra \$8,000 in debentures" (p. 27-28). Prepared by Mr. Henry as to whether or not estimates were prepared at the time the work was commenced, Mr. James said that he believed the municipalities were informed of the increase in wages and material (204) and that he would look up letters to prove this contention. (The Commission has been requested to submit copies of any letters in this regard). It seems to the writer that one of the chief causes of the general criticism of the discrepancy between estimates

furnished by the Commission and actual cost of the work results from the practice of the Commission in submitting estimates. Definite estimates are usually furnished the municipalities by letter at the time the electors vote upon Hydro by-laws but when extensions and betterments are decided upon, subsequent to the by-laws, there is no machinery provided for the submission of new estimates to the electors at the time construction work is actually commenced. The result is that the extensions and betterments are discussed informally between the local engineer of the Commission and the municipal councils. The Municipal Act furnishes an easy method of meeting the additional expenditure by authorizing the Ontario Railway & Municipal Board to approve of the issue of debentures to provide for extensions and betterments in the case of public utilities thus avoiding the necessity of submitting a money by-law to the vote of the electors. A perusal of the Commission's files with regard to the Eugenia System shows that it is almost a uniform practice to make such an application to the Ontario Railway & Municipal Board following the completion of the work, in order to secure authority to issue debentures covering the additional capital investment.

In this connection certain correspondence upon the Commission's files relating to Flesherton might be commented upon.

The actual cost of the distribution system in Flesherton had exceeded the estimates furnished by the Commission, on the basis of which a money by-law, authorizing the issue of \$5,000 worth of debentures, was submitted to and passed by the

furnished by the Commission and actual cost of the work
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extensions and betterments are discussed informally between the
engineers of the Commission and the municipal councils.
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additional expenditure by authorizing the Ontario Railway
Commission Board to approve of the issue of debentures to provide
extensions and betterments in the case of public utilities
avoiding the necessity of submitting a money by-law to the
electors. A perusal of the Commission's files with
reference to the Regina system shows that it is almost a uniform
practice to make such an application to the Ontario Railway
Commission Board following the completion of the work, in order
to have authority to issue debentures covering the additional
total investment.

In this connection certain correspondence upon the
Commission's files relating to Flexburyton might be commented

The actual cost of the distribution system in
Flexburyton has exceeded the estimates furnished by the Commission

electors. W. H. Wright, barrister of Owen Sound, acted as solicitor for the village of Flesherton. In a letter dated December 28, 1918, addressed to Mr. Pope, he pointed out that Sec. 400 (3) of the Municipal Act provided only for the borrowing of money to pay for improvements and extensions and did not appear to cover the case of providing for the balance due in connection with the construction of the original system but that, since Mr. James' affidavit had put it as "the excess costs in connection with improvements and extensions", he had prepared the by-law along these lines although he doubted the validity of the same. Mr. Pope replied to this letter in part as follows:

"We have had a great many of this class of by-law passed and approved by the Railway and Municipal Board; debentures issued and placed in the hands of the brokers' solicitors and very carefully scrutinized In addition to that we have all by-laws relating to the Hydro ratified every year under the Power Commission Act."

In this connection a letter from Mr. James to the Reeve of Flesherton, dated December 7, 1918 is interesting. It relates, in part, as follows:

Mr. James pointed out that the municipality would have to pass a by-law for "cost of erecting transformer for the chop mill about to be installed at Flesherton.....and also in order that they may be enabled to pay up outstanding amounts on our books in connection with the original cost of the distribution system."

It would seem from this correspondence that the Commission is in the habit of submitting "a great many" by-laws to the Railway and Municipal Board each year, authorizing the issue of debentures to pay for the excess cost of local distribution

electors. W. H. Wright, barrister of Owen Sound, acted as
collector for the village of Wrentham. In a letter dated
December 28, 1918, addressed to Mr. Pope, he pointed out that
Sec. 400 (2) of the Municipal Act provided only for the borrowing
of money to pay for improvements and extensions and did not appear
to cover the case of providing for the balance due in connection
with the construction of the original system but that, since Mr.
James' affidavit had put it as "the excess costs in connection
with improvements and extensions", he had prepared the by-law along
these lines although he doubts the validity of the same. Mr.
Pope replied to this letter in part as follows:

"We have had a great many of this class of by-law
passed and approved by the Railway and Municipal
Board; objections raised and placed in the hands
of the brokers' collectors and very carefully
examined in addition to that we have all
by-laws relating to the Hydro notified every year
under the Power Commission Act."

In this connection a letter from Mr. James to the
Reeve of Wrentham, dated December 7, 1918 is interesting.
It relates, in part, as follows:

Mr. James pointed out that the Municipality would
have to pass a by-law for "cost of erecting transformers for
the shop mill about to be installed at Wrentham..... and
also in order that they may be enabled to pay up outstanding
amounts on our books in connection with the original cost of
the distribution system."

It would seem from this correspondence that the
Commission is in the habit of submitting "a great many" by-laws
to the Railway and Municipal Board each year, authorizing the
issue of debentures to pay for the excess cost of local distribution

systems. This procedure obviates the necessity of submitting a by-law to the electors. All that seems to be required is an affidavit by the engineer to the effect that the money as expended on betterments and extensions and since certain changes in plan are made almost invariably on construction work, deficits may readily be ascribed to "betterments and extensions". It would appear in the case of Flesherton clearly that the money was required for the payment of "outstanding amounts on our books in connection with the original cost of the distribution system." If this is a fact, the by-law of the village of Flesherton would be invalid were it not for the practice of the Commission, referred to by Mr. Pope, of having the by-laws ratified each year in the Hydro Act.

systems. This procedure obviates the necessity of admitting a by-law to the electors. All that seems to be required is an affidavit by the engineer to the effect that the money is expended on betterments and extensions and since certain changes in plan are made almost invariably in construction work, deficits may readily be ascribed to "betterments and extensions". It would appear in the case of Wisnarton clearly that the money was retained for the payment of "outstanding amounts on work booked in connection with the original cost of the distribution system." If this is a fact, the by-law of the village of Wisnarton would be invalid were it not for the practice of the Commission, referred to by Mr. Hope, of having the by-laws retitled each year in the Hydro Act.

CLAIM NO. 3 -

That the actual cost of the transmission lines, charged to the municipalities in the cost of power, exceeded the estimated cost in several cases.

This claim was advanced by Dr. Hacking (See pages 220-221 of evidence) and was answered by representatives of the Commission by submitting the statement which appears on 389-391 of the evidence. In view of the fact that Dr. Hacking was not present to hear this statement discussed by Mr. Gaby and to take support his contention, it is recommended that the statement be turned over to Walter J. Francis & Company before any decision as to the merits of this claim can be reached.

"That again, take the case of Arthur. For example. Arthur is about 40 miles from Niagara. The rate in 1928, and they are using 124 h.p. They have a deficit now, at the present time, of about \$25,000. Elora is about 12 miles from Arthur, and about 125 miles from the source of power, has a rate of \$40 and is using 127 h.p. They are paying sinking fund and they have no such deficit as Arthur has.

"When Arthur went into this thing, Niagara power was at Elora. I think Elora is about 14 miles from Arthur."

Mr. Gaby went further than his fellow delegates in

this respect, speaking in part in the following terms: (Ex. 296)

"The sooner some plan can be devised whereby there may be an equalization of rates, so much better will it be for this old Province of Ontario. At the present moment Toronto, Hamilton, Guelph and a few of the larger municipalities are getting power very cheaply. We have no chance to compete with them, although in Ontario we are only 25 miles from the source of power, and a man naturally said the question

CLAIM NO. 3

That the actual cost of the transmission lines, charged to the municipality in the cost of power, exceeded the estimated cost in several cases.

This claim was advanced by Dr. Hacking (see pages 380-381 of evidence) and was answered by representatives of the Commission by admitting the statement which appears on 382-381 of the evidence. In view of the fact that Dr. Hacking was not present to hear this statement discussed by Mr. Doby and to take expert his contention, it is recommended that the statement be turned over to Walter L. Branson & Company before any decision as to the merits of this claim can be reached.

CLAIM NO. 4 -

That the rates paid by municipalities in the Eugenia System are unfair as compared with rates paid by municipalities on the other Hydro systems.

Dr. Hacking (Ev. 218) compared the power rates of Chesley, Elmira, Arthur, Elora and Orangeville. He said, in part, as follows:

"Take these two towns, Chesley on the Eugenia System and Elmira on the Niagara System. They are both about the same size in the matter of population. Chesley is 35 miles away from the source of power and Elmira is 125 miles away from its source of supply of power. Chesley's rate is \$55 today and Elmira's rate is only \$38 per horsepower. Both have about the same horsepower namely 250. In 1921 Elmira had a surplus of \$1,700 and Chesley had a surplus of \$1,400, both Elmira paid \$624 on sinking fund and had a credit of \$1,900, while Chesley hasn't commenced to pay sinking fund, and if they had paid sinking fund last year their surplus of \$1,400 would have been a deficit, because the sinking fund to go on next year is \$1,700.

"Then again, take the case of Arthur, for example. Arthur is about 40 miles from Eugenia. The rate is \$85, and they are using 134 h.p. They have a deficit now, at the present time, of about \$16,000. Elora about - I cannot give the exact mileage but not very far from Arthur, and about 125 miles from the source of power, has a rate of \$40 and is using 197 h.p. They are paying sinking fund and they have no such deficit as Arthur has.

"When Arthur went into this thing, Niagara power was at Elora. I think Elora is about 14 miles from Arthur."

Mr. Calder went further than his fellow delegates in this respect, speaking in part in the following terms; (Ev. 296)

"The sooner some plan can be devised whereby there may be an equalization of rates, so much better will it be for this old Province of Ontario. At the present moment Toronto, Hamilton, Guelph and a few of the larger municipalities are getting power very cheaply. We have no chance to compete with them, although in Durham we are only 22 miles from the source of power, and a man naturally asks the question

CLARENCE

That the rates paid by municipalities in the
Tennessee system are similar to those paid by
municipalities in the other systems.

Dr. Haskins (Ev. 218) compared the power rates of
Chesley, Elmore, Elmore and Greenville. He said, in

part, as follows:

"Take these two towns, Chesley and Elmore.
They have both the same rate in the matter of
population. Chesley is 25 miles away from the
house of power and Elmore is 125 miles away
from its source of supply of power. Chesley's
rate is \$35 today and Elmore's rate is only \$28
per horsepower. Both have about the same horsepower
capacity. In 1921 Elmore had a surplus of \$1,000
and Chesley had a surplus of \$1,400, both Elmore paid
\$280 on sinking fund and a credit of \$1,000, while
Chesley had to pay sinking fund, and it
they had paid sinking fund last year their surplus
of \$1,400 would have been a deficit, because the sinking
fund to go on next year is \$1,700.

"Then again, take the case of Arthur, for example.
Arthur is about 40 miles from Elmore. The rate is
\$32, and they are using 125 h.p. They have a deficit
now, at the present time, of about \$18,000. Elmore
about - I cannot give the exact mileage but not very
far from Arthur, and about 125 miles from the house
of power, has a rate of \$40 and is using 125 h.p.
They are paying sinking fund and they have no such
deficit as Arthur has.

"When Arthur went into this thing, Elmore power was
at Elmore. I think Elmore is about 14 miles from
Arthur."

Dr. O'Brien went further than his fellow delegates in

this respect, speaking in part in the following terms: (Ev. 226)

"The power plan can be devised whereby there
may be an equalization of rates, somewhat better will
it be for this old Province of Ontario. At the
present moment Toronto, Hamilton, Guelph and a few
of the larger municipalities are getting power very
cheaply. We have no chance to compete with them,
although in Ontario we are only 25 miles from the
house of power, and a man naturally asks the question

'Why should I pay in your town \$60 to \$70 or \$80 per horsepower, when I can go to the City of Toronto and get it for \$15 or \$20 per h.p.?' Now then, there is the point.' We feel that we are all equal parties in the power system of Ontario. It may be that some party is a little nearer the source than others, and the same thing does occur in Eugenia."

Dr. G. H. Campbell, ex-mayor of Orangeville, in this regard compared the rates in the neighborhood of Orangeville. (Ev. 304):

"I might say that Bolton, considerably further from the Niagara Development than we are (from the Eugenia development) is enjoying a rate, I think of about \$60, taking 121 h.p.; Orangeville paying \$65, taking 132 h.p.; Fergus is paying \$40, taking 185 h.p. and Brampton our nearest neighboring town has a rate of \$20. They are, however, taking 908 horse power but you see there is quite a difference there and it certainly makes a wonderful handicap to us in attracting manufacturing institutions."

This claim was not pressed by the representatives of the Eugenia Hydro-Electric Association in detail, with the result that the representatives of the Commission did not make any statement in regard to it beyond saying that the system from which a given municipality takes power depends largely upon geographical conditions and that the estimates submitted to the municipalities always state the system on which power is available naming the municipalities which will be its prospective partners. In the event of a municipality such as Arthur being within the zone of two systems, comparative rates are quoted with regard to each system. With regard to the situation in Arthur, Mr. James said, in part, as follows: (Ev. 450)

"The question came up of why we put Arthur on the Eugenia System. The fact was that in making our estimates for the same amount of power in the Niagara System, it would have cost them, in view of the longer distance, \$60.78, whereas they have a rate of from \$54 to \$51 on the Eugenia System.

"Why should I pay in your town \$80 to \$90 or \$80 per horsepower, when I can go to the city of Toronto and get it for \$15 or \$20 per h.p.?" Now then, there is the point. We feel that we are all equal parties in the power system of Ontario. It may be that some party is a little nearer the source than others, and the same thing does occur in England."

Dr. C. H. Campbell, ex-mayor of Orangeville, in

this regard compared the rates in the neighborhood of Orangeville.

(Ev. 304):

"I might say that Bolton, considerably further from the Niagara Development than we are (from the Niagara Development) is enjoying a rate, I think of about \$80, taking 121 h.p.; Orangeville paying \$65, taking 138 h.p.; Toronto is paying \$40, taking 138 h.p. and Whangamung our nearest neighboring town has a rate of \$80. They are, however, taking 908 horse power but you see there is quite a difference there and it certainly makes a wonderful handicap to me in advocating maintaining institutions."

This claim was not pressed by the representatives

of the Niagara Hydro-Electric Association in detail, with the result that the representatives of the Commission did not make any statement in regard to it beyond saying that the system from which a given municipality takes power depends largely upon geographical conditions and that the estimates submitted to the municipalities always state the system on which power is available naming the municipalities which will be its prospective partners. In the event of a municipality such as Arthur being within the zone of two systems, comparative rates are quoted with regard to each system. With regard to the situation in Arthur, Mr.

James said, in part, as follows: (Ev. 450)

"The question came up of why we put Arthur on the Niagara System. The fact was that in making our estimates for the same amount of power in the Niagara System, it would have cost them, in view of the longer distance, \$60.75, whereas they have a rate of from \$54 to \$51 on the Niagara System."

CHAM. NO. 8

That the form of contract between the Niagara
"There was already a line constructed between
Arthur and Grand Valley, so that it was a simple
matter to take over that line and supply the power
quickly and cheaply from Eugenia rather than from
the Niagara System."
The Commission had
that it gives the Commission such wide and dis-
cretionary powers as to be a hardship upon the
Eugenia municipalities.

The importance of this claim was stressed by Dr.
Hacking in the following terms: (Ex. 319)

"The contracts, Mr. Chairman, as I understand it,
on the Niagara System are blanket contracts.
That is to say the Hydro-Electric Power Commission
have a contract and there is nothing in there
stating where the power shall come from at all.
For instance, on this system, there has been some
talk of developing power on the Niagara River and,
as matters now stand, if those gentlemen were to
spend two or three million dollars on development,
we have nothing to say about it. It seems to me
to be a most insane proposition."

Mr. Gaby, on behalf of the Commission dealt with the
matter of the contract in the following terms: (Ex. 371).

"The question of the contract was brought up
and it was said that the Commission had a contract
with the municipality extending over a period of
20 years. That contract is a contract between
the municipalities who are partners and it provides
that the Commission shall operate and administer those
properties as trustees for these municipalities. It
is really a partnership agreement between the municipal-
ities interested in any particular district."

In reply to the suggestion of the Chairman that there
was nothing in the by-law or contract to prevent the Power
Commission arbitrarily allotting a municipality to one district
or another, Mr. Gaby said: (Ex. 384)

"There is an agreement between a certain group of municipa-
lities as partners and they have only as much to do with the
district. It cannot put them in one district or another
because they become partners in the district of power."

"There was already a line connected between
Lafayette and Grand Valley, so that it was a simple
matter to take over that line and supply the power
quickly and cheaply from Niagara rather than from
the Niagara system."

CLAIM NO. 8 -

That the form of contract between the Eugenia municipalities and the Commission is at variance with the form of the contract contemplated by the Power Commission Act that it is different from the form of contract entered into between the Niagara municipalities and the Commission and that it gives the Commission such wide and discretionary powers as to be a hardship upon the Eugenia municipalities.

The importance of this claim was stressed by Dr.

Hacking in the following terms: (Ev.219)

"The contracts, Mr.Chairman, as I understand it, on the Eugeniav System are blanket contracts. That is to say the Hydro-Electric Power Commission have a contract and there is nothing in there stating where the power shall come from at all. For instance, on this system, there has been some talk of developing power on the Saugeen River and, as matters now stand, if these gentlemen care to spend two or three million dollars on development, we have nothing to say about it. It seems to us to be a most insane proposition."

Mr.Gaby, on behalf of the Commission dealt with the matter of the contract in the following terms: (Ev.371).

"The question of the contract was brought up and it was said that the Commission had a contract with the municipality extending over a period of 30 years. That contract is a contract between the municipalities who are partners and it provides that the Commission shall operate and administer these properties as trustees for these municipalities. It is really a partnership agreement between the municipalities interested in any particular district."

In reply to the suggestion of the Chairment that there was nothing in the by-law or contract to prevent the Power Commission arbitrarily allotting a municipality to one district or another, Mr.Gaby said: (Ev.384)

"There is an agreement between a certain group of municipalities as partners and they have only to deal with one district. We cannot put them in any other district because they become partners in the system in which

That the form of contract between the Nigerian municipalities and the Commission is at variance with the form of the contract contemplated by the Power Commission and that it is different from the form of contract entered into between the Nigerian municipalities and the Commission and that it gives the Commission much wider and discretionary powers as to be a partnership upon the Nigerian municipalities.

The importance of this claim was stressed by Dr.

Asking in the following terms: (Rev. 219)

"The contract, Mr. Chairman, as I understand it, on the Nigerian System are direct contracts. That is to say the Hydro-Electric Power Commission have a contract and there is nothing in there stating where the power shall come from at all. For instance, on this system, there has been some talk of developing power on the Bagdad River and as matters now stand, if these gentlemen ever to spend two or three million dollars on development, we have nothing to say about it. It seems to me to be a most income proposition."

Mr. Gaby, on behalf of the Commission dealt with the

matter of the contract in the following terms: (Rev. 221)

"The question of the contract was brought up and it was said that the Commission had a contract with the municipality extending over a period of 30 years. That contract is a contract between the municipalities who are partners and it provides that the Commission shall operate and administer these properties as trustees for those municipalities. It is really a partnership agreement between the municipality and the Commission in any particular district."

In reply to the suggestion of the Chairman that there

was nothing in the by-law or contract to prevent the Power

Commission exclusively allowing a municipality to use electricity

or another, Mr. Gaby said: (Rev. 224)

"There is an agreement between a certain group of municipalities

allied as partners and they have only to deal with one district. We cannot put them in any other district because they become partners in the system in which

"they are one of the partners and that system is specified in detail, and if there is anything additional necessary it is within that district and becomes part of that district. We could not put a municipality on the Niagara System and they do not know it because they would have to enter into partnership with the municipalities on the Niagara District."

It is suggested that the form of contract between the municipalities and the Commission might be specially commented upon in connection with the Eugenia System report, inasmuch as all the municipalities on this system were asked to sign what the Power Commission called its standard form of contract which is in a form not contemplated by the Power Commission Act. It is sufficient to recollect that the contracts on the Niagara System and the form of contract contemplated by the Act contain a schedule, setting out the cost of the power at point of delivery to the Commission, the estimated maximum cost to the municipality, etc. Each contract recites the fact that the estimates have been submitted at the price set forth in the schedule and that the Commission has furnished the municipalities with estimates as set out in the schedule of the total cost of power and of the line loss, cost of construction, etc., or lines to transmit the power. Clause 2 provides that the municipality shall pay to the Commission the price set forth in column three of the schedule together with sinking fund, line loss, renewals, etc.

The contracts with the municipalities on the Eugenia System do not contain any estimate for maximum cost or statement of the cost of power at the point of delivery, in contravention of Sec. 2 of the Power Commission Act.

"they are one of the partners and that system is specified in detail, and if there is anything additional necessary it is within that district and becomes part of that district. We could not put a municipality on the Niagara system and they do not know it because they would have to enter into partnership with the municipality in the Niagara District."

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the municipalities and the Commission might be specially commented upon in connection with the Niagara system report, inasmuch as all the municipalities on this system were asked to sign what the Power Commission called its standard form of contract which is in a form not contemplated by the Power Commission Act. It is sufficient to recollect that the contracts on the Niagara system and the form of contract contemplated by the Act contain a schedule, setting out the cost of the power at point of delivery to the Commission, the estimated maximum cost to the municipality, etc. Each contract recites the fact that the estimates have been submitted at the price set forth in the schedule and that the Commission has furnished the municipalities with estimates as set out in the schedule of the total cost of power and of the line loss, cost of construction, etc., or lines to transmit the power. Clause 3 provides that the municipality shall pay to the Commission the price set forth in column three of the schedule together with sinking fund, line loss, renewals, etc. The contracts with the municipalities on the Niagara system do not contain any estimate for maximum cost or statement of the cost of power at the point of delivery, in contravention of sec. 31 of the Power Commission Act.

CLAIM NO. 9 -

That the municipalities should not be required to set up both renewal reserve and a sinking fund reserve as part of the cost of power.

This claim was seriously pressed by several delegates.

It was not suggested that the Power Commission required the setting up of both renewal reserves and sinking fund reserves in contravention of the letter or spirit of the Power Commission Act. The claim was not in the nature of a criticism of the Hydro-Electric Power Commission but essentially a criticism of the power Commission Act. The whole claim may be summed up briefly in the words of J. R. McLinden, Owen Sound, (Ev.234):

"We should not pay for the two plants at the same time."

The argument is that since the sinking fund reserve is an amount sufficient to form in 30 years a fund to meet the maturing debenture obligations, and since the plant is completely maintained from year to year out of current revenue, the present generation should not, in addition, set up a depreciation or renewal fund sufficient to replace the present plant at the end of 30 years.

The question of this reserve for renewal is of considerable importance. It is noted in the report of Messrs. Price, Waterhouse & Co., page 23, with regard to their statement of accounts due by municipalities in respect to the cost of power that "relatively few credits are in respect of cash payments." In other words, wherever there is a credit balance appearing in respect of a particular municipality for a given year that credit is usually a credit resulting from an adjust-

DEALIN NO. 2

That the municipalities should not be required to set up both renewal reserve and a sinking fund reserve as part of the cost of power.

This claim was variously pressed by several delegates.

It was not suggested that the Power Commission required the setting up of both renewal reserves and sinking fund reserves in contravention of the letter or spirit of the Power Commission Act. The claim was not in the nature of a criticism of the Hydro-Electric Power Commission but essentially a criticism of the power Commission Act. The whole claim may be summed up briefly in the words of J. E. Hollander, Owen Sound, (May 22nd): "We should not pay for the two plants at the same time."

The argument is that since the sinking fund reserve is an amount sufficient to form in 30 years a fund to meet the maturing debenture obligations, and since the plant is completely maintained from year to year out of current revenue, the present generation should not, in addition, set up a depreciation or renewal fund sufficient to replace the present plant at the end of 30 years.

The question of this reserve for renewal is of considerable importance. It is noted in the report of Messrs. Price, Macdonald & Co., page 23, with regard to their statement of accounts due by municipalities in respect to the cost of power that "relatively few credits are in respect of cash payments." In other words, wherever there is a credit balance appearing in respect of a particular municipality for a given year that credit is usually a credit resulting from an adjust-

ment of the reserve for renewal rate and is seldom the result of an overpayment of the cost of power by the municipality. It would probably be unfair to suggest that whenever a system gets into difficulties the engineers of the Commission find it possible to make an adjustment of the rate to be charged in respect of reserve for renewals. It is a fact that on the St. Lawrence System, the Eugenia System, indeed on the most of the systems other than the Niagarac System, a downward revision in the renewal rate has been made.

Questioned as to whether there was any limit to the renewal account, Mr. Gaby said, in part, as follows: (Ev. 243).

"That, I think, would be determined by the respective parties that enter into the system. It might be set at a limit of forty to fifty per cent of the capital invested in your system, that is, you do not need to set aside the full one hundred per cent in view of the condition of your plant which has been maintained up to a certain standard. Many of the municipalities are arriving at that point now, but in the earlier states why you haven't got sufficient to take care of that."

In regard to the matter of Niagara Falls, Mr. Campbell, Grandville, said in part:

"Regarding the matter of Niagara Falls, Mr. Filchuk has taken up a lot of time in the past, and I have the impression for the future that located in Grandville, and as far as the work is done locally. It seems to me that whenever we want to have a certain amount of work done, we should have a certain amount of work done. I am quite sure that some of these larger municipalities which were in being long, feeling that they should have a certain amount of work done at any time in the past and should be able to do so."

The representatives of the Commission did not make any statement in regard to this claim beyond stating that the duty of inspection was delegated to the senior Commissioner by the

ment of the reserve for renewal rate and its relation the
result of an overpayment of the cost of power by the municipality.
It would probably be unwise to suggest that whenever a system gets
into difficulties the engineers of the Commission find it possible
to make an adjustment of the rate to be charged in respect of
reserve for renewal. It is a fact that on the St. Lawrence
System, the Niagara System, indeed on the most of the systems
other than the Niagara System, a downward revision in the renewal
rate has been made.

Questioned as to whether there was any limit to the
renewal account, Mr. Gaby said, in part, as follows: (Ex. 843).
"That, I think, would be determined by the respective
parties that enter into the system. It might be set
at a limit of forty to fifty per cent of the capital
invested in your system, that is, you do not need to
set aside the full one hundred per cent in view of
the condition of your plant which has been maintained
up to a certain standard. Many of the municipalities
are arriving at that point now, but in the earlier
stages you haven't got sufficient to take care
of that."

CLAIM NO. 10 -

That the inspection of wiring under the Hydro-Electric Power Commission is very unsatisfactory, inasmuch as the only inspector, authorized to inspect wiring on the system, resides in Orangeville and that local inspectors should be appointed in the different municipalities.

Speaking of this claim, Mr. Filschle said: (249)

"In the next place, it needs a practical man as inspector to inspect the buildings. For instance a building that has been wired, the rules call, I understand, for inspection. All joints have to be soldered and if the law is going to be complied with, where a man wants a building wired or anything of that description, he would have to leave it open, possibly for five weeks, as we know of in our particular case. It has been five weeks from the time inspection has been asked for before that inspection has been made."

"We have a man there that is capable of handling the high-tension wires and looking after installation and matters of that kind. I know he has got to be in touch with electrical matters. Of course, he could be in touch with electrical matters and still not be capable of inspecting the installation, but if we had an inspector there, and application for connection was made, the house could be inspected in ten or twenty minutes, or half an hour."

In regard to the matter of inspection, ex-mayor Campbell, Orangeville, said in part: (Ev. 305-6)

"Regarding the matter of inspection which Mr. Filschle has taken up, I really think there is a lot in that, although as he has stated, we have the inspector for the Eugenia System located in Orangeville, and we have no grievance as far as the work is done locally. He does it whenever we want it done. I can quite understand municipalities such as Owen Sound and Hanover, some of these larger municipalities where some work is being done, feeling that they should have a man whom they could call upon at any time to go and inspect the work."

The representatives of the Commission did not make any statement in regard to this claim beyond stating that the duty of inspection was delegated to the Power Commission by the

CHARTER NO. 10

That the inspection of wiring under the Hydro-
Electric Power Commission is very unsatisfactory,
inspected as the only inspector, authorized to
inspect wiring on the system, resides in Greenville
and that local inspectors should be appointed in
the different municipalities.

Speaking of this claim, Mr. Phillips said: (242)

"In the next place, it needs a practical man as
inspector to inspect the buildings. For instance
a building that has been wired, the rules call, I
understand, for inspection. All joints have to be
collected and if the law is going to be complied
with, where a man wants a building wired or anything
of that description, he would have to leave it open
possibly for five weeks, as we know of in our ex-
terior cases. It has been five weeks from the time
inspection has been asked for before that inspection
has been made."

"We have a man there that is capable of handling
the high-tension wires and looking after installation
and matters of that kind. I know he has got to be
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we had an inspector there, and application for
connection was made, the house could be inspected
in ten or twenty minutes, or half an hour."

In regard to the matter of inspection, ex-mayor

Orrin J. Owsen, said in part: (243-2)

"Regarding the matter of inspection which Mr.
Phillips has taken up, I really think there is
a lot in that, although as he has stated, we
have the inspector for the Hydro Electric system
located in Greenville, and we have no grievance
as far as the work is done locally. He does it
whenever we want it done. I can quite understand
municipalities such as Owen Sound and Hanover,
some of these larger municipalities where some work
is being done, feeling that they should have a man
whom they could call upon at any time to go and
inspect the work."

The representative of the Commission did not make

any statement in regard to this claim beyond stating that the

city of inspection was delegated to the Power Commission by the

Province and that the cost of inspection under the present organization, exceeded the revenue, and that any representations in this regard should accordingly be made to the Government.

Mr. Pilson, Mount Forest, on behalf of the Association, urged very strongly that the municipalities should be consulted before any change in the rates were made. In reply, Sir Adam Beck remarked (Ev. 124):

"We only approve your rates. We don't dictate them."

Later, when the Town Mayor of the Commission addressed

to the municipalities concerning: "Your Commission

shall adopt the following schedule of rates....."

was drawn to Sir Adam's attention, the latter stated

that it was the Accounting Department that suggested this.

There seems to be no doubt that the rates are fixed without at least any formal consultation with the municipalities. Mr. Mackay (Ev. 247) said a case which had arisen in York in July, 1921. The Commission advised the Local Commission in York that:

"Your Commission shall adopt the following schedule of rates for consumers supplied from your system....."

The chief grievance was against the commercial lighting rate, with regard to which the minimum set monthly bill was fixed as follows:

Up to 75 w. installed capacity	\$1.00
75 to 100 "	2.00
over 100 w "	3.00

On receipt of this letter, Mr. Mackay says: "I approached these gentlemen and said 'You require to pay.' Well, 'Yes' -"

Province and that the cost of inspection under the
present organization, exceeded the revenue, and that any
representations in this regard should accordingly be made
to the Government.

CLAIM NO. 11 -

That, inasmuch as the Power Commission Act provides that the power rates in municipalities should be merely approved by the Commission, and not dictated by the Commission, as is the present practice, the municipalities should be consulted before any changes in the rates are promulgated.

Mr. Filschle, Mount Forest, on behalf of the Association, urged very strongly that the municipalities should be consulted before any changes in the rates were made. In reply, Sir Adam Beck remarked (Ev. 256):

"We only approve your rates. We don't dictate them."

Later, when the form letter of the Commission addressed to the municipalities commencing: "Your Commission shall adopt the following schedule of rates....." was drawn to Sir Adam's attention, the latter stated that it was the Accounting Department that suggested this.

There seems to be no doubt that the rates are fixed without at most any formal consultation with the municipalities. Dr. Hacking (Ev. 267) cited a case which had arisen in Tara in July, 1921. The Commission advised the local Commission in Tara that:

"Your Commission shall adopt the following schedule of rates for consumers supplied from your system....."

The chief grievance was against the commercial lighting rate, with regard to which the minimum net monthly bill was fixed as follows:

Up to 75 w. installed capacity	\$1.50
75 to 100 "	2.00
over 150 W "	3.00

On receipt of this letter, Dr. Hacking says: (Ev. 267-8)
"I approached those gentlemen and said, 'Here, you will
require to pay.' Well, 'they said, 'How are

13 OK RELAT

Mr. Williams, Mount Forest, on behalf of the Association.

".....refer to schedule of rates....."

Dr. Hocking (Ev. 287) cited a case which had arisen in Iowa in

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'we going to get around?' I said: 'You will will have to cut it down.' and they said 'That means we have got to take a lantern to do downstairs and, if we have got to have some lanterns around the premises, we might as well have oil lamps and cut it out altogether.' I brought the matter to the attention of the Commission and they wrote a pretty harsh letter. Mr.Flannery came up and took up the matter with me. We went over those accounts, and one thing and another and he stated that he would recommend to the Commission a minimum rate up to 300 watts of installed capacity \$1.50, which would give a man a considerable number of small lamps. From 300 to 500 watts \$2., and over 500 watts \$3. That was perfectly satisfactory to our Commission.

"The point I wish to make is this, Mr.Chairman, that if Mr.Flannery or some other representative of the Commission, came to Tara when they want to change rates - and they must know that the change of rates is a pretty general subject in most of these municipalities - and consulted us before hand, that instead of the noise coming out from the villages that Hydro had raised the price again, there would be no outcry of that kind at all. Mr.Flannery's recommendation could not be put into effect until the Commission approved of it."

In reply to this case raised by Dr.Hacking, Mr.Jeffery said:

"Our man went up and he told them he would report the matter to the Commission and get their decision and we would write them and send these rates out after they were approved. He has not had time yet to take it up with either myself or Mr.Gaby to pass it on to the Commission, so that these rates have been approved yet."

With regard to the general question of consultation

before rates are fixed, Mr.Gaby said: (Ev. 439).

"We endeavor to do that by having our engineer go around and discuss these matters with the local superintendents and chairman of the commissions."

"We began to get around it," I said. "You will have to cut it down," and they said "That means we have got to take a lantern to do some work and, if we have got to have some lantern work, the premises, we might as well have all lamps and cut it out altogether." I brought the matter to the attention of the Commission and they were a pretty hardy bunch. Mr. Blumery came up and took up the matter with me. We went over the accounts, and one thing and another and he stated that he would recommend to the Commission a minimum rate up to 300 watts at installed capacity \$1.00, which would give a man a considerable number of small lamps. From 300 to 500 watts \$2., and over 500 watts \$3. That was perfectly satisfactory to our Commission.

"The point I wish to make is this, Mr. Chairman, that if Mr. Blumery or some other representative of the Commission, came to town when they want to change rates - and they must know that the change of rates is a pretty general subject in most of these municipalities - and consulted us before hand, that instead of the noise coming out from the village that Hyatt had raised the rates again, there would be no outcry at that kind of thing. Mr. Blumery's recommendation could not be put into effect until the Commission approved of it."

In reply to this case raised by Dr. Hocking, Mr. Blumery said:

"Our man went up and he told them he would report the matter to the Commission and get their decision and we would write them and send them rates and after they were approved. He has not had time yet to take it up with either myself or Mr. Gaby to pass it on to the Commission, so that these rates have been approved yet."

With regard to the general question of consultation

before rates are fixed, Mr. Gaby said: (Mr. ABE.)

"The endeavor to be first by having our engineer go around and discuss these matters with the local representatives and chairman of the commissions."

CLAIM NO. 12 -

That the engineering economics of the Eugenia Falls plant is faulty inasmuch as there is not sufficient water to provide more than 3,500 24-hour continuous horsepower.

Mr. Calder, Durham, advanced this claim, in part in the following terms: (Ev. 290).

"One thing that was in my mind at that time and has been and is at the present time is that we have not seen the worst of the Eugenia System..... There has been perhaps a greater rainfall since 1915 than for many years prior to that. If any year ever occurs when we have a dry season, beginning as early as the month of May and continuing throughout the year, instead of a development of 3,700 h.p. or 4,600 for peak load, we will rather be developing 2,500 h.p."

This claim, on the face of it, should be reported upon by Walter J. Francis & Co., for his information, it might be noted that Mr. Don Carlos gave evidence with regard to the Capacity of the Eugenia plant: (Ev. 314 et seq.) and that Mr. Gaby discussed generally the capacity of the System; the possibility of a water shortage and kindred technical matters. (Ev. 414 et seq.)

- (1) That there ought to be some legislative machinery through which the municipalities could be consulted before any extensive additions to the system are undertaken.
- (2) That the Government be asked to assume a portion of the cost of some of the extensions made to the Eugenia System since the original project.
- (3) That the cost of power ought not to include depreciation and sinking funds.
- (4) That local inspection of wiring, installations, etc., should be permitted under Government control, as preferable to the present method, and that increased power should be left with local municipalities.

EXHIBIT NO. 12 -

That the engineering economics of the Engolia
Plant is fairly insubstantial as there is not
sufficient water to provide more than 3,500
24-hour continuous horsepower.

Mr. Calder, Bureau, advances this claim, in part

in the following terms: (Ex. 123).

"One thing that was in my mind at that time and
has been and is at the present time is that we
have not seen the worst of the Engolia system....
There has been perhaps a greater rainfall since
1915 than for many years prior to that. If any
year ever occurs when we have a dry season, beginning
as early as the month of May and continuing throughout
the year, instead of a development of 3,700 h.p. or
4,300 for peak load, we will rather be developing
2,500 h.p."

This claim, on the face of it, should be reported

upon by Walter S. Francis & Co., for his information, it

might be noted that Mr. Don Gustafson gave evidence with

regards to the capacity of the Engolia plant: (Ex. 214 et seq.)

and that Mr. Gaby discussed generally the capacity of the

system; the possibility of a water shortage and kindred

technical matters. (Ex. 214 et seq.)

EUGENIA HYDRO-ELECTRIC ASSOCIATION.

Committee:

A. Filschle, Mt. Forest,
Jno. Taylor, Hanover,
H. Hudron, Kincardine,
Dr. G.H. Campbell, Orangeville,
Dr. McArthur, Markdale.

Durham, Ont., Sept 25, 1923.

The Chairman and Members of
The Hydro-Electric Inquiry Commission,
36 King Street, East,
Toronto, Ont.

Sirs:-

For some considerable time past there has been serious dissatisfaction in the municipalities taking electric power from the Eugenia System of the Hydro-Electric Power Commission, of Ontario, and this dissatisfaction led to the information of the Eugenia Hydro-Electric Association on the 15th May last. The object of the Association is to secure the investigation and adjustment of the grounds of complaint.

A meeting of the Executive of the Eugenia Hydro-Electric Association was held at Durham on the 11th inst., and a deputation appointed to wait upon your Commission. At another meeting of the Executive held at Owen Sound on the 19th inst., the following points were drafted for presentation to you:

- (1) That present rates are unduly high as compared with the estimated rates - the reason for such increased costs to the municipalities, notwithstanding increased load - the unfairness of Eugenia rates as compared with rates in other parts of the country.
- (2) That there ought to be some legislative machinery through which the municipalities could be consulted before any extensive additions to the system are undertaken.
- (3) That the Government be asked to assume a portion of the cost of some of the extensions made to the Eugenia System since the original project.
- (4) That the cost of power ought not to include depreciation and sinking funds .
- (5) That local inspection of wiring, installations, etc., should be permitted under Government control, as preferable to the present method, and that increased power should be left with local commissions to meet local conditions.

HYDRO-ELECTRIC ASSOCIATION.

Committee:

A. Williams, Mr. Stewart,
Jno. Taylor, R. H. Brown,
H. H. Brown, R. H. Brown,
Dr. G. H. Campbell, O. H. Campbell,
Dr. McArthur, Mr. H. H. H.

Durham, Ont., Sept 25, 1923.

The Chairman and Members of
The Hydro-Electric Industry Commission,
36 King Street, West,
Toronto, Ont.

Sir:-

For some considerable time past there has been serious
dissatisfaction in the municipalities taking electric power
from the Niagara System of the Hydro-Electric Power Commission,
of Ontario, and this dissatisfaction led to the termination of
the Niagara Hydro-Electric Association on the 15th May last.
The object of the Association is to secure the investigation
and adjustment of the grounds of complaint.

A meeting of the Executive of the Niagara Hydro-Electric
Association was held at Durham on the 15th inst., and a resolution
was adopted to wait upon your Commission. At another meeting of
the Executive held at Owen Sound on the 15th inst., the following
points were drafted for presentation to you:

- (1) That present rates are unduly high as compared with the
estimated rates - the reason for such increased costs
to the municipalities, notwithstanding increased load -
the weakness of Niagara rates as compared with rates
in other parts of the country.
- (2) That there ought to be some legislative machinery
through which the municipalities could be consulted
before any extensive additions to the system are
undertaken.
- (3) That the Government be asked to assume a portion of the
cost of some of the extensions made to the Niagara
System since the original project.
- (4) That the cost of power ought not to include
depreciation and sinking funds.
- (5) That local inspection of wiring, installations, etc.,
should be permitted under Government control and preferably
to the present method, and that increased power should be

- (6) That a comparative statement of original estimates of the cost of development of Eugenia System, as compared with the actual cost, is not warranted by the extra power secured.
- (7) That the Eugenia System could be more efficiently and economically operated by a commission appointed by the municipalities interested, as they would be in closer touch with the work and more vitally interested in the financial aspect.

Respectfully,

EUGENIA HYDRO-ELECTRIC ASSOCIATION.

John Legate, President.

C. Elvidge, Secretary.

(6) That a conservative statement of original estimates of the cost of development of Eugenia System, as compared with the actual cost, is not warranted by the extra paper secured.

(7) That the Eugenia System could be more extensively and economically operated by a commission appointed by the municipalities interested, as they would be in closer touch with the work and more vitally interested in the financial aspect.

Respectfully,

COUGLIA HYDRO-ELECTRIC ASSOCIATION.

John Rogers, President.
O. H. Hildreth, Secretary.